IMPORTS OF THE GCC COUNTRIES SINCE 1981

DISSERTATION

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(Economics)

BY

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CERTIFICATE

This is to certify that the dissertation entitled "**Imports of the GCC Countries Since 1981**" was prepared by **Mr. Jamshed Alam** under my supervision. This is his original work which is now being submitted for examination in partial fulfilment of the requirement for the award of the degree of M.Phil in West Asian Studies (Economics).

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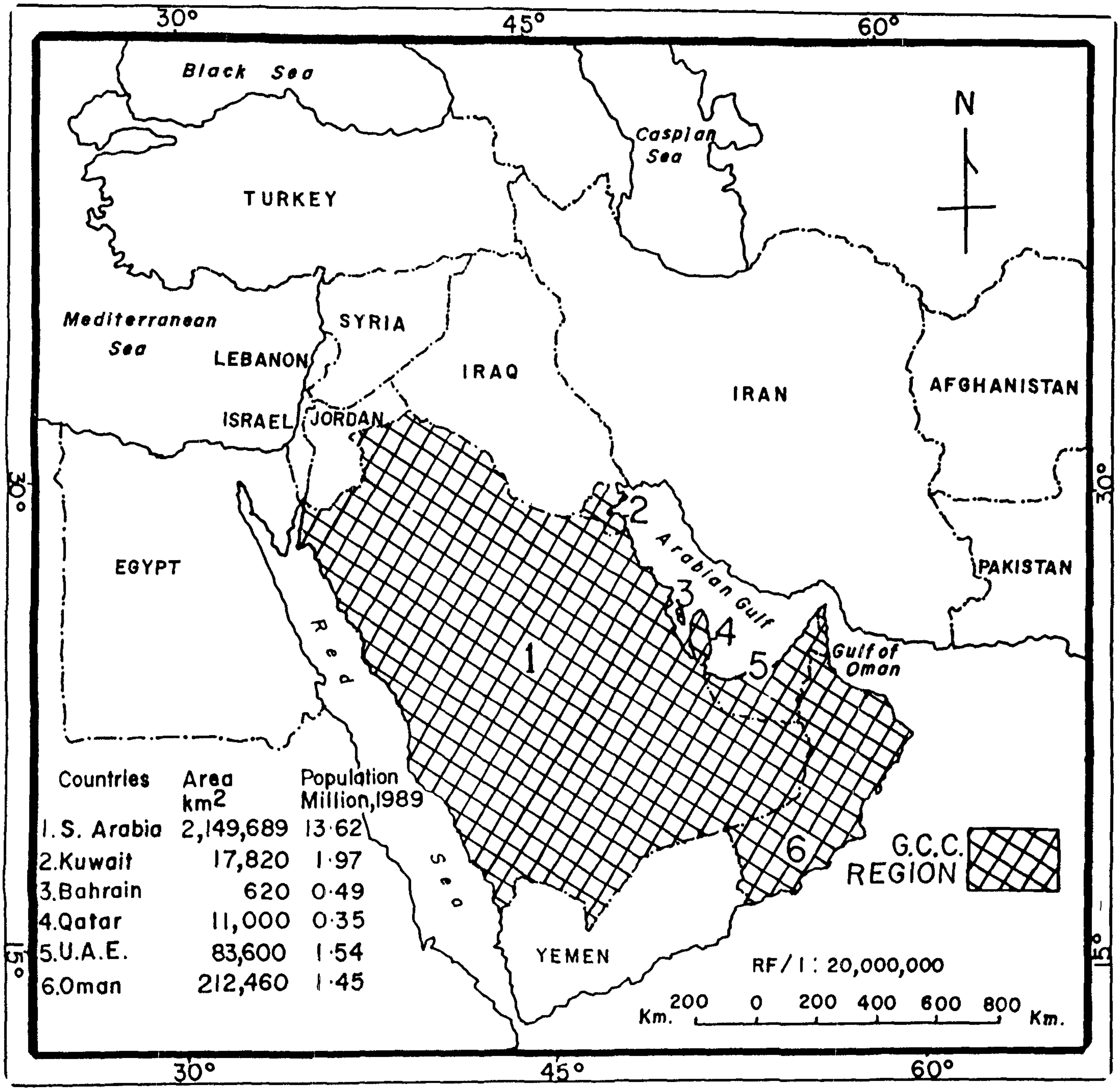
C O N T E N T S

THE MAP OF G.C.C. REGION



Countries	Area km2	Population Million,1989
1. S. Arabia	2,149,689	13·62
2. Kuwait	17,820	1·97
3. Bahrain	620	0·49
4. Qatar	11,000	0·35
5. U.A.E.	83,600	1·54
6. Oman	212,460	1·45

Cartographic Lab, CWAS (AMU) Aligarh.

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P R E F A C E

The six Arab States located on the eastern flaks of the Gulf namely, Bahrian, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emerates togather constitute a very distinct physical, economic and political region. In 1981 they formd a regional organization called the Gulf Cooperation Council and since then they are commonly known as the GCC region states. With nearly 24.7 million Sq. Km. of total area and a small population of nearly 19.4 million people (Mostly expatriates), this region is, however extremly rich in hydrocarbon resources. Their combined oil reserves of 368 billion barrels constitute nearly 40 per cent of the world total. Since it is a predominantly desert region, the agricultual and other mineral resource base is very limted. Until the discovery and commercial poruction of oil, in the early part of this century the entire region survived on occupations like subsistance agriculture, whereever it was possible, fishing, pearling and enterpot trade. However, as the oil income began to increase, specially during the 1960's, the entire area experienced and fast charge in terms of economic development. The oil price hike of early 1970's and the resultant massive inflow of financial resource gave a tremendous boost this process. During this period not only the total income and consumption increased very fast, the governments of all the six states of the region embarked upon very ambitions social and economic development programmes in order to reduce their near total reliance on the oil sector and to deversify the sources of national income. But before this objective could be fully achieved, the oil boom subsided in the early 1980's and the pace of economic activity also slowed down considerably, leaving the region much behind the stage of sef-sustaned growth.

However, the most important aspect of this entire developmental process was that it was largely premised on import of good and services from out-side.

A high degree of dependence on imports in the early stages of development is a feature common to all the developing countries in but the case of GCC region states has been a little different. These stetes sudently came across affluence without any indegineous productive base- either agricultural or industrial. The prosparity was based on the monetization of a natural but deplectable asset that is oil. Apart from meeting the requirements of a highly conspicuous consumption pattern, the GCC region states had to build the entire infrastructure- both social and physical and move on to the aquisition of productive capibilities for a selfsustained growth. In this process they found themselves into a position where economic development had to be import based. A bibliographical survey reveals that the imports of the GCC region states have not been adequately studied inspite of their great role and importance for the region.

The main objective of the present study is to evolve a general understanding of the main trends in the merchentile imports of the six countries of the GCC region in terms of, a) the overall pattern of imports and its growth over the year, b) its structure as reflected in the composition of commodities imported and c) the sources of these imports. In doing so the available import data has been arranged and analysed with the help of simple statistical methods.

The term GCC has been used throughout the study to denote a certain region rather then the organisation itself. The reference period of the study has been confined to nine years since 1981, generally referred to as the 1980's . For the sake of continuity and composition reference has also been made to the changes that took place during the previous decade i.e. 1970's. The limited availibility and accessibility to the sources of detailed information on imports has been a great contraint and, therefore, the study is mainly based on available secondary sources and publications of the organisation such as the OPEC , the IMF, World Bank the United Nations and its allied agencies such as UNCTAD, UNESCO etc. For the study of GCC imports from India, however, the Indians sources have been relied upon as the international sources do not generally provide the country-commodity trade statistics.

In order to achieve the above objectives and to provide the necessary backdrop to the study of imports Chapter I aims at presenting a brif survey of the economies of the GCC region. Besides discussing the main characteritics features of the economy of the region, an attempt has also been made to study in some detail the charges witnessed in the oil sector, its importance for the economics of the GCC states, the movement of oil prices, production and revenues, Besides that the pattern of change in the population profile and the national income in the region have also been studies in this chapter because they have a direct bearing on the imports.

Chapter II deals with two important aspect of the study a) Change in the aggregate imports of the six countries of the region in different time spans of the reference period and its relationship with the GDP and the oil revenue, and b) the directionality of imports.

To analyse their relative importance, various sources of imports have been grouped in to the developed and the developing countries. At the micro-level imports of the GCC states from a selected number of countries from each of the above economic regions have been taken up.

In Chapter-III focus is exclusively on the structure of GCC imports in terms of its commodity composition. Based on SITC classification, the compostion of imports has been studied at three levels of aggregation i.e. primary and manufactured goods, main commodity groups at the "Section" level and then at the "Division" level.

Chapter IV deals with the trends in imports of different GCC states from India. It is a very brief but significant part of the whole study. Begining with the pattern of overall trade between India and the GCC region during reference period, efforts have been made in this chapter to observe the changes in the GCC imports from India and its commodity composition. In the end an overall summery and some of the main conclusions emerging out of the study have been recorded".

I wish to place on record my gratitude to Prof. Akhtar Majeed, the Director of the Centre of West Asian Studies for providing all necessary help and encouragement that was needed to complete this study. I am also grateful to all the other teachers of the Centre for their kind encouragement.

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CHAPTER - I

THE ECONOMY OF THE GCC REGION

The six oil rich Arab Gulf states of Bahrain Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, now commonly referred to as the GCC region states are remarkably similar to each other in terms of their resource base and economic structure. These states are also at a comparable stage of economic development. These countries, therefore, constitute a very distinct and unique sub-region within West Asia and are invariably studied in a common economic framework.

In this chapter an effort has been made to recapitulate briefly some of the common characterstic features of the economies of the GCC region. This is followed by a relatively detailed account of those aspects of the economy which have relatively greater impact on the pattern of imports. They include the nature and growth of population, developments in the oil sector in terms of the prices, production and revenues of crude oil, and finally the overall growth of economies as relected by the change in their national income. The main focus has been kept on the changes and developments during the 1980s, the reference period of this study, but as a necessary backdrop developments during the earlier decade have also been briefly studied.

Main Economic Characterstics

The discovery and the beginning of the Commercial production of oil in the early part of this century was a turning point for the economies of the six Arab Gulf states. Before that the people of this area were largely dependent on activities like fishing, pearling and livestock rearing. Subsistance agriculture was possible only in such areas where the climatic conditions were condusive to such pursuits. However, because of its strategic location this sub-region always enjoyed a very important position as a sea and overland trade route and the people of this area were extremely proficient in trading activities.

As the flow of oil revenues increased in the latter years, the life of the people of these desert states also began to transform. By mid-sixties, although the governments of these states did not have much control over the oil affairs, and the countries of the area were not getting their due and legitimate share in the oil income, the revenues available to all the states in the form of royality and taxes were enough to set the process of economic development in motion.

The real transformation in the economic structure of the GCC states, however, started in the 1970s. During this decade not only the oil prices increased very sharply, the governments of these oil producing states also assumed nearly full control over the oil industry. As a result of this sudden increase in oil revenues, almost all the states of the area embarked upon very ambitius economic development programmes and there was an unprecedented increase in the total as well as per capita national income. But at the same time economic growth of this proportion also brought in some sharp imbalances in these economies. In any economy based exclusively on continued exploitation of a single resource certain imbalances are bound to occur. The economic imbalances which occured in the GCC area as a result of a fast growth in the oil industry were of two kind.

(1) The first was "sectoral imbalance"[1]. The phenomenon is also usually termed as "economic dualism", and refers to the growth and development of one sector so fast that the other sectors of the

economic lag far behind it. In the case of the GCC economies, the oil sector left the other sector of the economy not only for behind but also dependent on it. So much so that many analysts characterised them as "rentier states"[2]. If one looks at the development plans and other economic policy pronouncements of the GCC region states, the main task which the various governments of the area have put before them is the diversification of the productive base of their economies so that the over dependence on the oil sector could be minimized.

The second type of imbalance and perhaps, equally chronic in nature is the "factoral imbalance"[3]. Contrary to the experience of other developing countries of the world, the situation that emerged in these small oil rich states was that capital become available in abundance while other factors of production, namely the supply of labour and the emergence of enterprenural class lagged behind. As a

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1. For a detailed discussion of this phenomenon see, EL Mallakh,R.,*Economic Development and Regional Cooperation: Kuwait*, Chicago,1968 pp 227-228.
2. Beblawi, H., "The Rentier State in the Arab World" in Biblawi and Luciani (ed.) *The Rentier State*, Croom Helm, Kent, pp 49-62.
3. EL Mallakh, R., *Op. Cit.*

result what ever economic development took place in the GCC region was based on the constant import of manpower. As for the enterpenureship the task was inevilably taken over by the governments of the region.

The Population Profile

Like many other economic features, the population profile of the six GCC states is also very different from other developing countries. For many countries detailed and reliable population estimates are not available and in most of the cases official figures are often found at varience with other well established sources. Table 1.1 provides a comparision of a few broad details about the population of the six GCC states during the decade of the 1980s.

The three main demographic features common to all the six states are that : 1) they have a very small but fast growing population; 2) the proportion of expatriates in total population is very high; and 3) a vast majority of the population lives in Urban Centres.

According to the UNESCO estimates in 1989 the total population of the whole GCC region was just about 19.4 million as against 13.3 million in 1980. By virtue of its shear size the 9.4 million population of Saudi Arabia comprised well over 70 per cent of the

TABLE: 1.1

GCC REGION: THE POPULATION PROFILE

	Area	Density	Total Population (mn)		Expatriates as % of Total Population		% Rates of growth 1980 - 1989		
	Km^2	(1988)	1980	1989	1980	1989	Total	Expatriates	Nation
Bahrain	620	776	0.35	0.49	32.0	33.1	4.08	4.48	3.89
Kuwait	17820	107	1.37	1.97	58.3	61.4	5.19	5.79	4.30
Oman	2,12,460	7	0.98	1.45	45.0	17.8	4.44	-5.7	9.20
Qater	11000	31	0.23	0.35	71.3	17.0	6.20	-9.3	19.5
Saudi Arabia	21,49,689	6	9.37	13.62	11.4	39.5	5.19 (1980-85)	34.81 (1980-85)	-2.5 (1980-85)
U.A.E.	83600	18	0.98	1.54	74.0	-	0.2	-	-

Source: UNESCO, Statistical Yearbook 1988 edition for 1989, UNCTAD,Handbook of International Trade & Development Statistics, 1981 total population of the GCC region in 1989. Kuwait had just over a million people while the remaining four states of Bahrain, Oman, Qatar and the UAE were all below one million mark. But over the remaining years of the decade in almost all the countries except the UAE the overall population recorded a very fast rate of growth exceeding 6 per cent per year in the case of Qatar nearly 5 per cent in Kuwait and Saudi Arabia and over 4 per cent in Bahrain and Oman.

There are two main reasons for this fast rate of growth in the population of the six oil rich Gulf states. One of the major reason is a very high rate of natural growth in all the countries. Table 1.2 below gives the details of average rate of natural growth of population between 1980-85.

Because of the socio-religious reasions, the birth rates in these countries have always been higher than the average for the neighbouring regions. The governments, because of the overall state of under population encourages people to have more children. On the other hand death rates in the GCC countries are going down considerably because of the improved health care available to the common man free of cost.Almost all the states spend virtually unlimited amount of money required on hospitals and other health related projects. As a result both the natural growth rates of population and the life expectancy are very high in this region.

Table 1.2

AVERAGE BIRTH AND DEATH RATES AND LIFE EXPECTANCY

(1980-85)

Country	Berth ('000)	Death ('000)	Natural Growth ('000)	Life Expectancy
Bahrain	23.3	5.3	27.0	68.2
Kuwait	36.8	3.5	33.3	71.2
Oman	47.3	15.9	31.4	49.7
Qatar	30.1	4.6	25.5	70.6
Saudi Arabia	43.0	12.1	30.9	56.0
UAE	27.0	4.0	23.0	70.6

Source: U.N., Estimation and Projections of World Population (New York, 1984)

The other factor responsible for such a high rates of growth of population in the GCC region states has been the ever increasing influx of immigrants. Although the stated policy of almost all the states is to reduce the dependence on foreign labour force by all possible means, the ground reality is far from this. There are certain sectors of the economy such as construction, transport and services which are still predominantely manned by foreign labour force. Apart from this most of the skilled jobs in all sectors are dominated by the foreign workers. The natives are largly employed in government jobs. Although in the last few years, specially after the oil crises of 1986, there is a decline in the number of foreign workers in many states, immigrant still constitute a very large proportion of the total population in most of the states and

The Dynamics of Oil Sector

The importance of oil sector in the economies of the GCC region states can not be over emphasised. In the last several decades, it has been witnessed that changes in the ownership pattern, structure of the oil industry, its prices and revenues have had very profound influence not only on the pace of economic activity in the region but its politics and social moorings as well. The stated policy of all the six oil exporting countries of the Gulf has been to diversify their economic activities in such a way that the heavy dependence on oil sector is reduced as far as possible. No doubt efforts undertaken in this direction, specially during the 1970, have brought about some change in the economic structure of these countries, but the oil sector still looms large over other sectors.

Table 1.3 shows the importance to oil sector in different countries in relation to three important variables, namely, the GDP, total exports and total budgetary revenues in 1981 and 1989 respectively. Although there is a general decline in the share of oil sector in relation to all the three above mentioned variables during the 1980s but still its contribution is extremely high in all the countries. It would not be wrong to say that oil sector still dominates the economy of the GCC region. Seen in the context of a sharp decline in both the production and prices of oil after 1983, the percentage fall in the share of oil is not really significant.

Another aspect, perhaps more important than the share of oil in GDP, exports and government revenues, is the forward linkages of this sector. Given the resource endowment of these economics, oil based industrialization offers a large number of possibilities.

TABLE 1.3

GCC : CONTRIBUTION OF OIL SECTOR TO GDP,

TOTAL EXPORT AND BUDGET REVENUE

(PERCENT)

Country	Ratio of oil GDP To Total GDP.		Ratio of oil Export to Total Export		Ratio of oil Revenues to Total Gvt. Revenues	
	1981	1989	1980	1989	1981	1989
Bahrian	33.0 [1]	17.5 [3]	35.0	43.5	70.0	56.8
Kuwait	58.5	40.9	89.0	81.0	96.5	87.0
Oman	59.3	45.8	64.2	82.4	86.5	69.5 [3]
Qatar	63.9	27.1 [3]	94.6	75.2	-	88.2 [3]
Saudi Arabia	63.7	22.5 [3]	96.1	84.9	98.2	76.4
U.A.E.	57.9	39.0	94.5	76.6	67.4	82.3 [2]

Source: Computed from, OPEC, Annual Statistical Bulletin.
IBRD, World Development Report
UNCTAD, Hand Book of International Trade & Development Statistics and IMF, Governments Financial Statistics. (Various Issues).

Note : GDP at current Prices
1= 1980, 2= 1987, 3= 1988.

The Oil Prices

Like any other commodity the price of oil is also determined by the forces of demand and supply. A closer look at the pattern of oil prices during the last three decades reveals that it was the movement of the aggregate world demand on the one hand and the position of supply on the other that was responsible for both the upserge and the decline in its prices. The only difference in the case of oil is that since it is a very vital and strategically important commodity, its market has always been extra sensitive to any changes in the factors influencing both the supply and demand. For instance on the demand side even seasonal changes in demand make a difference. In the event of a disturbance in the oil bearing region - be it a local military conflict or a political upheaval - the demand for oil suddenly goes up because the consumers apprehending a discription of supply indulge in panic purchases to build up a buffer stock. The prices of oil in such conditions go up. That is why the oil market is often characterised as a volatile one[4].

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4. The most recent example of oil prices getting affected by political upheaval and military conflicts are the Iranian revolution of 1979 and the Iraq-Iran War of 1980s.

Table 1.4 gives the movement of average prices of the Arabian light which is the marker crude oil for the GCC region. The ten years period from 1973 to 1982 was characterised by a phenomenal rise in the prices in two phases. After that the prices of oil nose dived and barring a few brief periods of recovery, remained generally depressed. In 1988 they slided down to nearly 1975 level. Both the period of high oil prices and the period of price crash had important and serious implications for the economies of the GCC states as we will see in the following section of this chapter and in the next chapters dealing exclusively with the imports. However in order to comprehend the mechanizism of these changes, it is necessary to briefly look into the reasions and circumstances which led to such sudden and sharp changes either way.

Oil Prices in 1970s

This period was generally characterized by a continuous increase in the prices of OPEC oil. The process, infact, continued until the early eightees. Two hikes, one in 1973-74 and the other in 1979-80 were so major that they are termed as the first and the second "Oil shocks". There were several factors which made it possible for the OPEC to successfully assert

TABLE: 1.4

OIL PRICE DEVELOPMENT OF SELECTED OPEC CRUDES

($ PER BARREL)

Year	Bonny Light	Arabian Light	Dubai
1970	-	1.80	-
1973	5.10	3.62	3.75
1974	14.19	11.58	11.59
1975	12.17	12.38	11.48
1980	35.64	31.19	29.93
1981	36.75	34.00	35.59
1982	35.50	34.00	33.86
1983	30.00	29.00	28.86
1984	28.00	29.00	28.86
1985	28.65	28.00	26.95
1986	14.94	13.64	na
1987	18.50	17.23	16.92
1988	15.11	13.40	13.18
1989	18.50	16.21	15.64

Source: OPEC Annual Statistical Bulletin, 1990 editions,

i- Prices are the (average) posted prices up to 1975.

ii- Official selling price (average) from 1980-1985.

iii- Spot price from 1986 onwards.

iv- na= not available.

itself on the price front. The major ones were as follows:[5]

1. A strong and continuous growth in the demand for OPEC oil.

2. Growing control of the OPEC countries over the production capacity in their territories, thereby curtailing the role of major oil companies which manipulated the effects of short term changes in the demand and supply of oil through their vertically integrated system of operation.

3. The capacity of some OPEC members with large reserves and limited absorbtive capacity to act as swing producers in response to the sudden changes in the oil market.

In brief it can be said that during the above period the OPEC's strategy was that of "Price Diffence", . In 1978 the OPEC decided to increase the price of oil by ten per cent per year to defend its exports of oil against inflation and currency changes in the West. This was an effort to defend the real price of oil.

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5. For these and other policy responses see, Sayigh, Y.A., *Arab Oil Policies in the 1970s*, pp. 9-18.

Another important event which triggerd the sharp increase in oil prices in the later part of the 1970s was onset of Iran-Iraq war and the Iranian threat to block the strait of Hormuz. Fear of supply disrruption raised the prices in spot market. From $18 per barrel in 1989 the price of marker crude went up every few month reaching $32 per barrel in November 1980. Due to internal conflict in OPEC the selling price in the market even went upto $41/b. In October 1981, however, an OPEC price unification was achieved at $34/b.

Oil Prices in 1980s

While the oil prices and the nominal revenues of the OPEC/GCC states were rising during late 1970s and at the beginning of the 1980s, the world oil market was undergoing a slow but definit transformation. So much so that the net oil export of the OPEC fell from 28.9 million barrels per day in 1979 to 16.5 million barrels a day in 1982.

The OPEC members, did not take the underlying changes in the market seriously, perhaps, because their revenues were on an increase. This situation can also be discribed as the one in which the actual world oil consumption was going down while the market demand was artificially kept high by an inventory boild-up due to fear of long term disrruption of oil supplies from the Gulf region.

The main reasions for the eventual crash of oil prices during the mid-1980s have been described as follows:[6]

1. The gradual substitution of feul oil (by gas) in power generation and ensuring adjustment of the refining industry;

2. The conservation measures, which led to a reduction in world oil consumption.

3. The build-up and continual expansion of non OPEC production, at the expense of OPEC oil production and;

Under the cumulative effect of the above factors by March 1983 the market structure had changed so much that the OPEC was forced to make adjustments to the new realities and the official reference price was reduduced by $5 per barrel in order to face upto increased production from the North Sea.

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6. Olorunfemi and Knobl,"OPEC's Experience in the 1980s: Shaping its Strategies for the 1990s", *OPEC Review*, 15(1), Spring 1991, page, 2.

In 1984 the OPEC intrduced a quota system for its members under an over all ceiling, hoping that this will put a check on the over production and the oil market might firm up in the days to come, Or atleast the expected sliding down of prices would be averted. But there was a lack of discipline within the OPEC. There are frequent reports of quota violation by its members. In 1985 Saudi Arabia, the largest producers of oil within OPEC reduced its production by nearly one-third as compared to the 1979 level, but even this did not help because other small producers and specially those which faced budgetary difficulties were constantly pleading for a higher quota without any sign of improvement in the market conditions.

It was at this point that the OPEC countries changed their earlier approach of "price defence" and adopted the "market share" policy[7]. All major producers now began to increase the production of oil and allowed the spot prices to fall. As a consequence the crude oil prices fell down to $13.4 per barrel by 1988. This approach was adopted by Saudi Arabia and other Gulf producers for two main reasons. One, to put pressure on non-OPEC producers to act in a more responsible

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7. Ibid, page, 7.

manner and secondly, to overcome their financial difficulties which had grown so much that even a financial giant like Saudi Arabia was feeling an unbearable economic pressure.

The implications of this changed market structure and the crash of oil prices were however, very serious for all the GCC region states . The oil production and revenues fell very sharply between 1983 and 1988 leading to severe budgetary deficits and cuts in developmental activities.

GCC Oil Production in the 1980s

The importance of oil sector for the economies of the GCC region states has been discussed in the preceeding sections. Both the prices and the levels of oil production greatly influence the pace of economic activity in this region. In the following paragraphs an attempt has been made to study the trend of oil production in various states of the GCC region during the 1980s. The overall circumstances and the policy framework which led to this pattern of production have also been touched upon earlier.

The yearly production of crude oil by the six states of the GCC region states for the decade of 1980s has been given in Table 1.5 . For a retrospective look

TABLE : 1.5

CRUDE OIL PRODUCTION OF GCC STATES

(THOUSAND B/D)

	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Bahrain	77.0	61.0	48.2	55.0	50.0	50.0	50.0	50.0	50.0	42.0	45.0	43.0
			(87)	(100)	(91)	(91)	(91)	(91)	(91)	(76)	(82)	(78)
Kuwait	2989.6	2084.2	1663.7	1129.7	824.3	1054.1	1163.0	936.3	1237.7	971.6	1396.5	1463.5
			(147)	(100)	(73)	(93)	(103)	(83)	(110)	(86)	(124)	(129)
Oman	332.0	342.0	283.0	325.0	325.0	390.0	420.0	500.0	560.0	580.0	595.0	390.0
			(87)	(100)	(100)	(120)	(129)	(154)	(172)	(178)	(183)	(120)
Qatar	362.4	437.6	471.4	415.4	332.0	269.0	325.3	290.1	313.6	291.4	319.4	320.2
			(113)	(100)	(80)	(65)	(78)	(70)	(75)	(70)	(77)	(77)
Saudia Arabia	3799.1	7075.4	9900.5	9808.0	6483.0	4539.4	4079.1	3175.0	4784.2	3975.2	5086.3	5064.5
			(101)	(100)	(66)	(46)	(42)	(32)	(49)	(40)	(52)	(52)
U.A.E.	779.6	1663.8	1701.9	1502.3	1248.8	1149.0	1069.0	1056.8	1308.9	1417.7	1509.5	1857.8
			(113)	100)	(83)	(76)	(71)	(70)	(87)	(94)	(100)	(124)

Source: OPEC Statistical Bulletin ,1991.for Bahrain and Oman See; Europa: Middle East and North Africa various issues.

Note: Figures in brackets are Index Numbers 1981=100 production levels for the years 1970 and 1975 have also been mentioned in the above table. As far as the of oil production since 1981 is concerned in the case of all the four major producers namely, Kuwait, Qatar, Saudi Arabia and the UAE the general trend has been that of a declining production.

Bahrain and Oman have been an exception because they are not members of the OPEC and, therefore, they were not bound by the policies and decisions of that organization. While Bahrain's production remained by and large at the same level as it was in the year 1981, the oil production in Oman registered a small but steady increase throughout the decade . But within the GCC region the position of both these states is that of marginal producers. Bahrain has nearly exhausted its oil reserves and for many years it is a net importer of oil to meet its refinary requirements. Oman on the other hand, which compares with Qatar in its levels of production, has a limited installed production capacity and therefore its production is not considered to be a long term factor in the future GCC production levels. However, one should not loose sight of the fact that as far as the economies of these two states are concerned, the level of their oil production, what ever it may be ,is very important for their economic development .

Among the four major oil exporters of the GCC, fastest decline has been witnessed in the case of Saudi Arabia where the production suddenly declined from the peak level of over 9.8 million barrels per day in 1981 to 6.5 million barrels in the very next year, a drop of well over 3 million barrel day. In the following years also the Saudi Oil production kept on declining and reached at just 3 million barrel per days in 1985- one third of the 1981 level. There were several reasons for this. Saudi Arabia being the largest producers of oil within OPEC had to share greater responsibility to cut production in order to support the OPEC's efforts to cheak the decline in the oil prices [8]. After 1985, however, Saudi Arabia and for that matter all major producers abondend the "policy of price defence" and instead pursued what is termed as the "policy of market share". As a consequence the Saudi Oil production began to increase in the following years even in the wake of falling oil prices. It was in pursuance of this policy that Saudi Arabia increased

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8. Story , J.C., "Gulf Oil Policies in the 1980s". in Sindelar and Peterson (eds.) *Cross Currents in the Gulf*, New York, 1988, page 113.

its oil production from 3 million barrel per day in 1985 to nearly 5 million barrel per day by 1989. But if one takes account of the whole decade, even after an increase in the last four years, oil production of Saudi Arabia never reached the 1981 level (see production index in Table 1.5).

The other two countries where the oil production fell substantially over the 1981 level are Qatar and the UAE. In both these countries, like Saudi Arabia the production of crude oil registered a sharp annual decline until 1985 and then it picked up in the second half of the 1980s because the OPEC restrictions were relaxed and every country was free to aquire its market share in sale regardless of prices.

If one looks at the general pattern of the Kuwaiti Oil production since 1981, it conforms to the one seen in the case of other three major producers of the area i.e. fall uptil 1985 and then a sharp increase. But unlike other states, the level of Kuwait's oil production did not change much over the years becuase, under its policy of conservation it had already reduced production from 2.9 million b/d in 1970 to 1.1 million b/d in 1981.

Oil Revenues

The quantum of oil revenues in a particular year depends upon the quantity of oil produced and the realized price. Over a period of just one decade from 1970-71 to 1980-81 there was an unprecedented increase in the oil revenues of GCC region states. During this period of oil boom both the production and prices were on an increase. The price effect was much more powerful than the production effect . From a mere $2.4 billion in 1970, Saudi Arabias Oil revenues increased to $116 billion in 1981; from $1.6 billion to 13.8 bn in Kuwait and from $0.5 bn to $ 18.8 bn in the case of UAE over the same period. A smiller trend was witnessed in the case of Oman and Qatar. Bahrain was the only exception in the GCC region. Because of its limited reserves and production capacity the oil revenues did not increase as fast as in the case of the other five neighbours.

The increase in the oil revenues was so massive during the 1970s that the economies of the GCC region states could not absorb the available monetary resources and nearly all of them accumulated financial surpluses worth several hundred billion dollars. There was a virtual crisis as to how and where there funnels

TABLE: 1.6

OIL REVENUE OF THE GCC STATES

(US$ Million)

Country	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Bahrain	-	-	1265.96	-	1107.72	1324.48	944.158	997.35	657.453	656.921	558.5	1170.22
Kuwait	1596	8424	17678	13790	8827	9736	10740	9817	6378	7520	5584	9306
			(128)	(100)	(64)	(71)	(78)	(71)	(46)	(54)	(40)	(67)
Oman	-		2725.12	3335.81	3189.99	3532.28	3852.48	3978.85	1974.84	2540.35	-	2651.12
			(82)	(100)	(91)	(95)	(97)	(112)	(69)	(89)	-	(93)
Qatar	227	1757	5406	5350	4108	3110	4366	3068	1720	1829	1536	1955
			(102)	(100)	(77)	(58)	(82)	(57)	(32)	(34)	(29)	(36)
Saudi Arabia	2418	29473	105813	116183	75534	42809	34243	24180	16975	19271	19607	24093
			(91)	(100)	(65)	(37)	(30)	(21)	(15)	(17)	(17)	(20)
U.E.A.	523	6762	19558	18815	15337	12235	12978	11842	7453	8665	7352	11500
			(104)	(100)	(81)	(65)	(69)	(63)	(40)	(46)	(39)	(61)

Source: OPEC Statistical Bulletion ,1991. For Bahrain and Oman, From Europa, Middle East and North Africa, various issues.(values converted into US$).

Note: Figures in brackets are index number 1981=100.

be invested in the international market. All the six countries embarked upon ambitious development programmes, gave away libral financial assistance to the Arab and other third world countries and yet billion of dollers were invested in the financial markets and real estate throughout the industrially advanced countries of the west.

However, as the oil market situation began to change in the early years of the 1980s, it became increasingly clear that the boom conditions of the 1970s will subside and both the OPEC countries in general and the GCC states in particular were in for a reverse shock. The reasons for this downswing in the oil market conditions have been discussed in detail in the section dealing with the oil prices and, therefore, need not be repeated again.

The downward trend in the oil revenues of the GCC oil producers had begun in the early 1980s itself but the collaps oil prices since 1985-86 triggered off a declining trend which was well beyond the capacity of the OPEC to arrest. As mentioned earlier the major oil producers of the GCC region adopted a policy of market share since 1985 and increased their production but the pressure of downward prices was so strong and enduring

TABLE : 1.7

OIL REVENUE :AVERAGE ANNUAL GROWTH RATES

(PERCENT)

	1975-80	1981-85	1985-86	1986-87	1987-88	1988-89	1980-89
Bahrain	- 45.8	- 4.6	- 34.0	-	-14.9	-	-0.87
Kuwait	18.7	-8.1	-35.0	17.9	-25.7	66.6	-6.8
Oman	23.1	3.0	-38.0	28.6	-	-	1.4
Qatar	26.0	-12.9	-43.9	6.3	-16.0	27.2	-10.6
Saudi Arabia	31.4	-32.4	-29.7	13.5	1.7	22.8	-15.1
U.A.E.	26.6	-10.6	-37.0	16.2	-15.1	56.4	-5.7

Source: Same as in Table 1.6 (Growth Rates Computed) that the oil revenues of the four major producers registered a sharpest ever decline. A comparision of decrease of oil production and revenues shows that the fall in revenues was much faster than production.

As a consequence of the above, the Saudi Oil revenues which in 1981 stood at $116 billion came down to $19.6 billion in 1988. In the case of Kuwait and the UAE the revenues droped down from $13.8 billion to $5.6 billion and from $18.8 billion to $7.3 billion respectively. it was only in 1989 that the oil market firmed up a little and the oil revenues of these states showed a sudden increase. The average annual decline in the oil revenues of various GCC states between 1981 and 1989 is shown in Table 1.7

Given the high dependence of the GCC states on their oil income, the sharp decline in the revenues since 1981 has had far reaching implication for all the six states[9]. In the following section these implications will be discussed in greater details.

The Pattern of Economic Growth

The dawn of the 1970s brought about a sudden and tremendous change both in the ownerships pattern of oil

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9. Al Hamad, A.Y., "The Impact of the Oil Price Decline On the Economic Development of Arab Countries", in Mabro, R., The 1986 Oil Price Crisis, 1988,pp 259-272

resources in the region as well as the price structure of the hydrocarban resources, which were so crucial to these states. As a consequences all the GCC region states experienced an overall boom in the economic activity. The ten year period following the oil price hike of 1973-74 was rightly described as that of "rush to development". During this decade the economies of the six Gulf states underwent a kind of transformation and modernization which was un-heard-of in the history of the developing world. But this boom did not continue beyond 1982 because some of the basic structural weakness remained there.

Although the main objective in this section is to review the pattern of economic growth since 1981, it would be desirable to have a brief overview of the preceding decade also .

Economic Growth During 1970s

Compared to other developing regions the rate of economic growth measured in terms of Gross Domestic products was quite high in the six Gulf states even during the pre-boom period. The successive oil price hikes, specially the 1973-74 and 1979-80 incease, gave a further boost to these economies. The increase in income was not confined to the hydrocarban sector only. With surplus monetary resources available the governments of the GCC countries embarked upon ambition development projects specially in the infrasture sector. Other sectors which grew at a very fast rate during the 1970s were services sector both government and private.

TABLE - 1.8

GDP : AVERAGE ANNUAL GROWTH RATE

(1970-1980)

(PERCENT)

Countries	1970-75	1975-80	1970-80
Bahrain	25.2	24.8	27.8
Kuwait	27.0	16.9	22.3
Oman	42.0	20.2	31.7
Qatar	40.0	21.4	31.3
S. Arabia	47.4	23.9	36.2
U.A.E.	48.1	24.3	36.8

Source : IBRD, World Development Report (Various Issues)
Growth Rates Computed.

Table - 1.8 gives the annual growth rate of GDP in different countries during the period 1970-1980. This period has further been devided into two spans so as to have a closer and comparative look into the growth patterns. Between 1970-80 the economies of all the six Gulf States under study experienced an spactacular growth while average annual growth rate in the case of Oman, Qatar, Saudi Arabia and the U.A.E. varied between 31.7 per cent to 36.8 per cent. Bahrain and Kuwait recorded a income growth of 27.8 and 22.3 per cent per year respectively. This unprecedented growth of GDP was accompanied by huge current account surplus.

Economic Growth : 1981-1989

The ten years of oil boom and the rapid economic activity did not bring about sufficient structural change in the economies of the GCC members countries. The dependence on the oil sector remained heavy enough to cast its shadow on the rest of the economy. The result was that the process of economic growth began to slow down as soon as the oil prices began to decline since late 1982. This process further deepend after the crash of oil prices in 1986. Reasons for such a dramatic fall in oil prices and the consequent decline in oil revenues have been discussed the previous sections. Presently we will concentrate only on the pattern of economic growth in the GCC members countries during the 1980s.

During the year 1981 the gross domestic product of the six oil exporting Gulf countries attained the peak. In that year per capita GDP of these countries was not only the highest among the developing countries but in some cases higher then any country in the world.

Since late 1982, however the oil prices slowly but steadily began to decline. The GCC member countries which were still highly dependent on oil revenues were thrown off their feet. All the countries were forced to resort to budgetary cuts[10]. Reduced public spending with its eminent negative fall out on production in non oil sector also.

The result of all this was that once high growth economies of the six GCC states suddenly started to record a downward trend in their gross domestic product as well as per capital income.

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10. For detalis see, Hunter, S.T., "The Gulf Economic Crisis and Its Social and Political consequences", *Middle East Journal*, 40(4), 1986, pp 593-613.

TABLE - 1.9

G.D.P. : AVERAGE ANNUAL GROWTH RATE

(1981-1989)

(PERCENT)

Countries	1981-1985	1985-1989	1981-89
Bahrain	1.6	-3.2	-2.46
Kuwait	-3.6	1.0	-1.35
Oman	7.6	-1.20	-3.01
Qatar	-8.2	-2.4	0.56
S. Arabia	-8.7	-5.3	-7.07
U.A.E.	-2.5	-0.76	-1.65

Source : IBRD, World Development Report (various Issues) and UNCTAD, Handbook of International Trade and Development Statistics 1981 (Growth Rates Computed).

As shown in Table 1.9 the G.D.P. of the GCC states generally recorded a negative average annual growth between 1981-85. The extent of slidedown ofcourse differs from country to country depending upon the policy response of each country to the economic crisis. Saudi Arabia suffered the most. Its 8.7 per cent per year negative growth was mainly due to its responsibility to act as a swing producer within OPEC. This largest producer of oil and financially the strongest among the six states, reduced its oil production to compensate for the higher production of other countries in order to hold oil prices. The economic result was that not only Saudi Arabia's growth suffered tremendously but it also became the first country to announce a deficit state budget as early as 1983[11]. Qatar, Kuwait and the U.A.E. also suffered a decline in their G.D.P. during this period in varying degrees. The case of Oman and Bahrain which recorded a positive growth in income is a little different. Oman is not a member of the OPEC and, therefore, it was not bound by the production quotas imposed by the OPEC on its members. To defend its oil revenues Oman had a relative freedom and it was become of this that it could achieve a 7.6 per cent growth during the first half of the 1980s. The other GCC countries Bahrain, which could manage a moderate 1.6 per cent growth, does not have enough oil in any case. In its case finance and services sector have an equally important role . The oil prices had a comparatively less dramatic effect on its economic performance.

The same trend with varying degree continued during 1985-89. Growth of GDP continued to record a

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11. Dietle, G., *Through Two Wars and Beyond: A Study of Gulf Cooperation Council*, New Delhi, 1991, pp 182-83.

negative trend. In this phase even Bahrain and Oman could not scape the pressure brought about by the falling oil prices. The GDP of Oman which had initially withstood the pressure also went down because of the limitations imposed by its oil production capacity[12].

The dominance of the oil sector on economies of the six GCC member states is so profound that the oil crisis of 1980s, not only had a negative impact on the growth of oil GDP but it also prominently affected the growth of income in other sectors also.

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12. Hunter, S.T., *Op. cit*, pp 599-600

CHAPTER - II

THE PATTERN AND GEOGRAPHICAL DISTRIBUTION OF IMPORTS

This chapter seeks to study two important aspects of merchantile imports of the countries of the GCC region.(1) The overall pattern of imports in the region during the 1980s and,(2) its geographical distribution or what is commonly known as the sources of imports. In doing so the chapter has been divided into two sections each dealing with the above two aspects.

SECTION - I

THE PATTERN OF GCC IMPORTS

As mentioned earlier the countries of the GCC region depend very heavily on the import of practically all kinds of goods and services to meet their consumption as well as developmental requirements. This heavy dependence continues to be unabated till today inspite of hectic efforts made in the last three decades by the governments of the respective countries to develop a diversified production base for their economies Needless to say that the overall pattern of growth in the imports of these countries has been undergoing a change over the years depending upon the pace and path of economic development followed by the economies of the region in different phases.

In this section an effort will be made to capture the main trends in the aggregate imports of the six countries of the region during the nine years period from 1981 to 1989 (mostly refered to as the 1980s) both at the regional level as well as at the level of individual countries. As a necessary backdrop to the above reference period a brief analysis of the growth of total imports in the region during the previous decade i.e. 1970s will also be attempted.

GCC Imports During 1970s : A Brief Review

During the decade of the seventies the entire Gulf region experienced a sudden and very rapid expansion of economic activity. Needless to say, the economic boom of this proportion was made possible by the massive increase in oil income available to the governments of this region. Various governments on their part were keen to inject this income into their respective economies through a number of social and economic development programmes. During this period so much of money was available in these countries that the limits to expenditure was determined by the absorbtive capacity of the economies rather than the availability of funds. This situation was unprecedented. No underdeveloped region or country of the world had ever experienced this kind of situation before.

It is very well known that the domestic resource base of the GCC economies is very narrow and limited. Except for the crude oil and gas, all other resources - human and non-human are extremely deficient in supply. In such an economic set-up, when income suddenly starts increasing, it leads to a corresponding and even faster increase in demand for various goods and services. To satisfy the growth in demand, imports increased in all the six GCC states at a very fast rate during the 1970s.

Table 2.1 provides an idea about the fast rate at which the imports of the six GCC region countries increased during the 1970s. While the initial year gives the position of aggregate imports of each country before the oil price rise, the years 1975 and 1980 have been chosen to reflect the immidiate effect of the two major hikes in the prices of oil on the imports of these countries.

During the ten years period between 1970 and 1980 there was a massive increase in the aggregate imports

TABLE 2.1

IMPORTS OF GCC REGIONS DURING 1970's

($ US mn.)

Countries	1970	1975	1980	Average Annual Growth Rates (%) 1970-75	1975-80
Bahrain	247	1158	3484	36.20	24.60
Kuwait	625	2388	6531	30.7	22.2
Oman	18	765	1732	116.6	17.7
Qatar	64	410	1447	44.9	28.6
Saudi Arabia	692	4214	30211	43.5	48.2
U.A.E.	267	2669	8752	58.47	26.80

Source: UNCTAD, Hand book of International
Trade and Developed Statistics 1990.
Growth Rates Computed.

throughout the GCC region. It has truely been described as a period of "made rush of imports" into this this region. Since only a import led growth is possible in these economies, in the first major phase of development the countries of the region imported practically all kind of goods, ordinary consumer goods, raw materials, mechninary and maintenance equipment. Between 1970 and 1980, total imports increased from a mere $18 million to nearly $1.7 billion in Qatar, an increase of more the 9500 per cent in absolute terms followed by Saudi Arabia (4265 per cent), UAE (3177 per cent), Qatar (2160 per cent) Bahrain (1310 per cent) and Kuwait (945 per cent).

However, the growth pattern of imports was not uniform throughout the 1970s. Except for Saudi Arabia where imports increased almost at the same rate throughout the seventees, in all other countries imports increased at a much faster rate in the first five years between 1970-1975. They ranged from 16.6 per cent per year in case of Oman to 30.7 per cent per year in Kuwait. In the next five years(1976-1980),however, although the oil income increased very substantially throughout the region except, Bahrain, the annual growth rate of imports slowed down (see Table 2.1). This phenomenon can be explained in terms of limitation put by the absorbtive capacity of the economies of these countries.

A notable exception to this pattern was Saudi Arabia where the rate of increase in imports remained equally high during the two five year spans. It was so because Saudia Arabia is disproportionately bigger in all respects compared to the other neighbouring GCC countries. Its population of 13.62 million constitutes 70.13 per cent of the combined population of the whole region; its territory of 21,49,689 sq. km. covers 86.84 per cent of the total land area of the GCC states; its natural resource base is much diversified compared to other fellow states and lastly, its financial resources, both potential and actual, are much more than others. In other words the absorbtive capacity of this dominant state of the GCC region is much higher compared to the other five partners.

The increase of this proportion in the aggregate imports of GCC states during the 1970s was made possible by the convergence of a number of factors. The major ones among them were as follows:

1. The massive increase in the income of the oil exporting states led to a sudden expansion of economic activity in all the six states of the region. It was

not just period of a the construction boom, as generally understood, demand in all other sectors of the economy increased simultaneously as the expansionof economic activity was an all pervasive phenomenonin the GCC region during that period.

2. The second factor which led to a sudden increase of demand for various kinds of goods in the region was the growth of population due to the influx of foreign labour force. These extra people who were there to fullfil the additional manpower requirements mainly in the construction and services sectors generated demand for imported goods.

3. A liberal import policy was adopted by the six Gulf states during the 1970s, because during this period there was absolutely no shortage of foreign exchange. All payments of oil supplies abroad were received in hard currency and there was virtually no restriction on any kind of imports from any where the world except those states which were on the Arab boycott list.

4. After the oil price increase of 1973-74, all the major oil importers, specially the industrially advanced countries of the world, faced a trade deficit

vis-a-vis the GCC region states. They saw a great opportunity in the expanding markets of the GCC states and made very concerted and aggressive efforts to promote the sale of their products in this region. Increasing exports to the Gulf region was one of the major tools of their strategy to recycle petro-dollers.

5. The last but, perhaps, the most important reasion for the sharp increase in the imports of the GCC countries during the 1970s was the low domestic production base of the economies of this region. As we know, at a time when all the six governments of the region initiated ambitious programmes to give boost to the economic activity and the demand for all kinds of goods and services was increasing in the region the domestic economies of these countries were not in a position to supply any commodity worth its name. In other words their dependence on imports was near total, be they consumer goods, intermediate goods or capital goods.

GCC Imports Since 1981

In the preceeding section, which served as a necessary backdrop to the study of our reference period, we have seen that merchantile imports registered a very sharp increase throughout the GCC region during the 1970s.

The main reason for this up beat trend in imports was a general condition of economic boom and a surge in the demand for all types of goods in all the six countries of the region. In this section an effort has been made to identify and analyse some of the main trends in the imports of different countries of the GCC region since 1981.

The value of imports in the six countries of the GCC region from for nine years from 1981 to 1989 have been compiled in Table 2.2 in millions of US dollar.Indexn umbers of import values have also been prepared for each country with 1981 as the base year for the purpose of comparision.

The above table reveals that compared to the 1970s, the aggregate imports of both the GCC region as a whole and that of the individual countries registered a generally declining trend after the first quarter of 1980s. There were, ofcourse, some variation in the case of individual countries the extent of which will be studied later.

First, taking the GCC region as a whole, the aggregate imports peaked in the year 1982 at the level of well over $66.5 billion. This was also the highest level of

TABLE 2.2

IMPORTS OF THE GCC REGION: 1981-1989

($ US mn.)

Year	BAHRAIN		KUWAIT		OMAN	
	Value of imports	Percentage change	Value of imports	Percentage change	Value of imports	Percentage change
1981	4125 (100)		6969 (100)		2221 (100)	-
1982	3520 (85)	-14.7	8283 (119)	18.8	2682 (121)	54.8
1983	3262 (79)	- 7.3	7312 (105)	-11.7	2492 (112)	- 7.1
1984	3479 (84)	6.6	7699 (110)	5.3	2748 (123)	10.3
1985	3107 (75)	- 1.1	6407 (92)	-16.8	3153 (142)	14.7
1986	2427 (59)	-21.9	5893 (84)	- 8.0	2384 (107)	-24.4
1987	2714 (66)	1.2	5496 (79)	- 6.8	1823 (82)	-23.5
1988	2593 (63)	- 4.4	5565 (80)	- 1.3	2202 (99)	20.8
1989	2866 (69)	10.5	6303 (90)	13.6	2255 (101)	2.4

CONTD...

TABLE 2.2 CONTD.

Year	QATAR		SAUDI ARABIA		U.A.E.	
	Value of impor-ts	Percen-tage change	Value of impor-ts	percen-tage change	Value of impor-ts	Percen-tage change
1981	1517 (100)	-	35244 (100)	-	6735 (100)	-
1982	1945 (128)	28.3	40654 (115)	15.3	9419 (140)	39.8
1983	1456 (96)	-25.1	39206 (111)	-3.6	8356 (124)	-11.2
1984	1162 (77)	-20.2	33696 (96)	-14.0	7043 (104)	-15.7
1985	1139 (74)	- 2.0	23623 (67)	-29.0	6791 (101)	3.5
1986	1099 (72)	- 3.5	19113 (54)	- 2.0	5838 (87)	-14.0
1987	1133 (75)	3.1	20110 (57)	5.0	8055 (119)	37.9
1988	1267 (83)	11.8	21784 (62)	8.3	8521 (126)	5.7
1989	1300 (86)	2.6	21153 (60)	- 2.8	10003 (148)	17.3

Source: UNCTAD, Hand Book of International Trade and Development Statistics, *Europa, Middle East and North Africa.* (Various Issues).

imports ever achieved by these nations. Out of this total obviously Saudi Arabia, UAE and Kuwait - the three most prosperous nations of the region had a combined share of nearly $58 billion (88 per cent) with Saudi Arabia alone absorbing 61 per cent of the total imports, followed by UAE (14.2 per cent) and Kuwait (12.2 per cent) respectively.

However, as the oil revenues began to gradually decline since 1983 as a result of a downward movement in oil prices, the overall economic activity in the GCC region alsoslowed down. As a consequence the combined imports of the region declined by $29.7 billion in first four years alone between 1982 and 1986 representing a decline of 44.7 per cent over this period.

After attaining an all time low in 1986 the combined imports in the GCC region began to pick up gradually but slowly to reach $43.9 billion mark in 1989. However, the rate of recovery was much slower than the rate at which they had fallen.

As mentioned earlier, within a general pattern of decline in the overall imports during the 1980s, there were some variations in the import trends witnessed in the case of individual member countries of the GCC. In the absence of adequate information it is not possible to find full and detailed explanation for variations in the import pattern. Nontheless, an attempt will be made to analyse the import profile of different countries in the light of changes that have occured in the factors influencing the imports of these nations during the 1980s.

In the four OPEC member states of the GCC merchentile imports achieved a peak in the 1982. In that year Saudi Arabi's imports grew by 15 percent over the previous year to reach $ 40.6 billion. UAE's $ 9.4 billion, Kuwait's $ 8.3 billion and Qatar's $ 1.9 billion imports were also substentively higher than the 1981 level. In all there states the value of aggregate imports began to fall gradually since 1983 under the impact of reduced oil income.

The downward trend in imports continued in all the four states but the fall in Saudi imports was most spactacular. By 1986 the total imports of this most affluent GCC state came down to just about $ 19 billion representing a reduction of nearly $ 21.5 billion in just about four years. Saudi imports picked up marginally after that but remained at $ 21 billion till 1989.

Similar trend has been witnessed in U.A.E., where imports went down from $ 9.4 billion in 1982 to $ 5.8 billion in 1986 representing a fall of percent. In Kuwait imports touched their low point in 1987 when they stood at mear $ 5.5 billion as against $ 8.3 billion in 1982 registering a fall of percent. In Qatar, a relatively small state of the GCC, imports were reduced to nearly half ($.1 billion) in 1986 compared to $ 1.9 billion in 1982. In all these states imports picked up in the coming years in conformity with the regional pattern but remained substantially lower than the 1982 level.

The case of Oman, a non- OPEC state, was different for reasions already discussed before . Since it was not affected by OPEC imposed production cuts, its oil revenues also did not initially fall to the extent they did in the case of other GCC states. Oman's merchentile imports, therefore, rose form $ 2.6 billion in 1982 to $ 3.1 billion in 1985. But because of its limited installed oil production capacity and a heavy downward pressure of oil prices, its oil income and consiquently the imports also went down rather sharply in the remaining years of 1980s. In Bahrain, the other non-OPEC state of the region but much less endowed in oil than Oman, the imports constantly went down since 1981 and reached nearly half the level in value terms in 1986 compared to the begining of the decade.

After this brief review of major trends in imports of various states of the GCC region, in the following sub-sections we shall examine the relationship of imports with the gross domestic product and oil revenues in different GCC states.

Imports And The GDP

In economic theory, national income is considered to be one of the most important determinants of the aggregate demand of goods and services in a country. Similarly in international commodity exchanges also level of total imports of a country greatly depends on its gross domestic product. The exact relationship between the two is, ofcourse, determined among other factors, by the income elasticity of demand for imported goods. In the countries of the GCC region also a very strong relationship exists between their national income and imports. If one looks at the patterns of change in the above two variable in the last two decades, the level of total imports in the six countries of the GCC region have closely followed the changes in the GDP of those countries.

Since, the degree of dependence of these states on imports is exceptionally high, they have been spending a very large share of their GDP on imports. Table 2.3 gives the ratio of imports to the GDP of different countries of the region in selected years of the 1980s. There ratios also indicate the changes in the relative importance of imports in the region in the context of changes in the gross domestic product of the six countries of the area. If one observes the direction of movement in the GDP and the value of imports for the six countries of the region between 1981-85 and 1985-89, it can be seen that, with one or two minor exception, in all the countries imports have declined or increased with the fall and rise in the GDP. This shows that in general the imports in these countries have a positive relationship with the GDP or in other words the level of the former is determined by the latter. As far as the degree of dependence is concerned, these are obviously bound to be some difference from one country to the other depending upon a number of factors independently influencing the import requirement, capacity to finance and above all the policies of the respective governments.

TABLE - 2.3

GCC , IMPORT-GDP RATIOS

	Gross Domestic Product ($mn)	Value of Imports ($mn)	Import/GDP Ratio (%)
	1	2	2/1
BAHRAIN			
1975	929.0	1158	124
1981	4113.1	4125	100
1985	3703.0	3107	83
1989	3368	2866	85
KUWAIT			
1975	12015.8	2388	19
1981	25211.0	6969	27
1985	21710.0	6407	29
1989	22597.0	6303	27
OMAN			
1975	2096.7	765	36
1981	6576.7	2221	34
1985	8820.0	3153	35
1989	8402.0	2255	26
QATAR			
1975	2288.6	410	17
1981	6201.8	1517	24
1985	6153.3	1139	18
1989	6488.0	1300	20
SAUDI ARABIA			
1975	39685.9	4214	10
1981	137045.3	35244	25
1985	95050.0	23623	24
1989	76208.0	21153	27
U.A.E.			
1975	9961.4	2669	26
1981	31156.9	6735	21
1985	28120.0	6791	24
1989	27268.0	10003	36

Source: IBRD, *World Development Report*. UNCTAD, *Hand Book of International Trade and Development Statistics*. Europa, Middle East and North Africa.

Imports And The Oil Revenues

There is no doubt that the national income or the GDP is theoritically the most significant explanatory variable for the changes in the level of imports of any country but in the particular case of the GCC region the importance of oil revenues as a determining factor can not be overlooked. In fact all the economies of the region, except Bahrain, have such heavy dependence on the income accuring from the sale of crude oil, that the level of their gross domestic product itself depends to a very great extent on the oil revenues. It would, therefore be appropriate if the oil revenues are considered as a separate or even an independent factor determing the level of total imports of these countries.

During the 1970, although the sharp increase in total imports in the region was mainly due to the massive increase in the availability of oil income to the GCC region countries, a comparatively small proportion of this income was spent on imports. It was because even after following the most libral import policy the inflow of oil revenues was so massive that there was a huge surplus in the balance of trade in almost all the countries.

However, in the 1980s and specially after the first quarter of the decade more and more oil revenues had to be spent to meet the import requirements. Oil prices began to fall since 1982-83 and vertually collapsed in the middle of the decade as a result of the over supply in the market. The oil revenues of the GCC countries also began to register a corresponding decrease until the OPEC decided to follow the "market share" policy in the later years to arrest the continuing fall in their oil income. Since imports are financed through the export of oil only in this region, there was bound to be an adverse effect on their growth also. But the on going development process and the pattern of consumption takes time to adjust to the new realities. Therefore, imports in most of the countries of the region absorbed a much higher proportion of their oil revenues during the 1980s as compared to the earlier decade. This phenomenon is reflected by the import-oil revenues ratios given in Table 2.4. In fact in some years, such as from 1986 to 1988 in Saudi Arabia and in the year 1988 in the UAE the value of total imports surpassed the amount of their oil revenues. The case of Bahrain, as mentioned earlier, is an exception because its oil revenues are very small and a large part of its imports are financed through

TABLE - 2.4

GCC: IMPORT- OIL REVENUE RATIOS

(PERCENT)

YEAR	BHRAIN	KUWAIT	OMAN	QATAR	S.A.	U.A.E.
1975	-	28.3	68.3	23.3	14.2	39.4
1980	276.2	36.9	54.7	26.7	28.5	44.7
1981	-	50.5	-	28.3	30.3	35.7
1982	318.9	93.8	76.3	47.3	53.8	61.4
1983	247.1	75.1	67.4	46.8	91.5	68.2
1984	369.8	71.6	72.8	26.4	98.4	54.2
1985	312.6	65.2	72.2	37.1	97.6	57.3
1986	370.5	92.3	88.8	63.8	112.5	78.3
1987	414.6	73.0	52.7	61.9	104.3	92.9
1988	465.9	99.6	-	82.4	111.1	115.9
1989	245.7	67.7	62.5	66.4	87.7	86.9

Source: UNCTAD: *Hand Book of International Trade and Development Statistics.* OPEC *Annual Statistical Bulletin*
Europa: Middle East and North Africa.
(Various Issues).

external assistance made available it in one form or the other.

Table 2.5 below gives the growth rates of oil revenues and imports for the six countries of the GCC region for three periods each denoting a distict phase in the movement of oil revenues. This will help us to observe as to what has been the broad relationship between the changes in the two variables presently under study. In the first phase i.e. 1980-83 while in most of the countries the oil revenues registered a negative growth rate in the total imports continued to grow indicating an inverse relationship between the two. The explanation of this lies in the delay in the adjustment to the sudden fall in the oil revenues. However, in the second phase 1983-86 imports of these countries got inevitably affected by the pressure of falling oil revenues but again the average annual fall in the total imports during the period was generally much smaller than the rate of decline in the oil revenues. During the third phase, 1986-89, the oil revenues every where entered into a recovery phase and registered a fairly positive growth. The imports also followed the same pattern, except in Oman but this time barring the UAE the growth of imports was much slower

TABLE - 2.5

GROWTH PATTERN OF IMPORTS AND OIL REVENUES (%)

	IMPORTS			OIL REVENUES		
Country	1980-83	1983-86	1986-89	1980 -83	1983-86	1986-89
BAHRAIN	- 2.2	- 9.4	5.7	1.5	-20.8	21.2
KUWAIT	3.8	- 6.9	2.3	-18.0	-13.1	13.4
OMAN	12.9	- 15.0	- 1.8	5.2	-10.1	10.3
QATAR	0.2	- 8.9	5.8	-16.8	-17.9	4.4
SAUDI ARABIA	9.1	-21.3	3.4	-26.0	-26.5	12.4
U.A.E.	- 1.5	-11.3	19.7	-14.5	-15.2	15.5

Source: Computed from UNCTAD, Hand Book of International Trade and Development Statistics. OPEC, Annual Statistical Bulletin. Europa,Middle East and North Arfica. (various Issues).

than the rate at which the oil revenues of different countries grew. This was so because of the austarity and restrictive measures adopted by almost all the countries of the region.

SECTION - II

DIRECTION OF GCC IMPORTS

After examining the broad pattern of the aggregate imports both at the regional as well as at the country level during the 1980s and some of the major factors that influenced the changes, this section will concentrate on the directionality of imports in the GCC region.

In studying the foreign trade of any country or region, the analysis of its directionality constitutes a very importnt aspect. As far as the direction of imports is concerned, these directions or the sources of procurement throw light on certain aspects which are significant not only for the preferences of the importing countries but also have important implications for the exporting regions and countries. For instance through merchantile imports there is a transfer of real resources from the importing country to the country that exports the goods.

In this context the GCC region states present a very special case. GCC states are the major exporters of oil which by its very nature is the most important source of energy for the importing countries. Also because oil is a strategic commodity, more often than not, its demand in the importing country is less elastic than for other commodities. During the period of oil crisis in the 1970s and to some extent even during the 1980s, there was a massive transfer of resources from the oil importing countries, both developed and the developing ones, to the countries of the GCC region. The major source of recycling the resources back to those countries were the imports of the GCC region states. The direction of GCC imports gives an idea about the extent of this retransfer of resources through trade mechanism.

The other important aspect on which the directionality of imports throws some light are the historical links, product preferences, sensitivity to prices and marketing structure. It may not be possible to examine each of these effects fully but references will be made to examine some of them in the following sub-sections.

In this study of the direction of GCC imports, we shall first take up the sources of imports at the level of broad economic regions i.e. the industrially developed countries and the developing countries. After that a brief analyses of the share of a few important sources of imports from each of the above broad catagories of nations will be attempted.

Direction of Imports by Broad Economic Regions

A comparative statement of the share of industrially developed countries and the group of developing nations is given in Table 2.6 below. The choice of years 1981, 1985 and 1989 are significant in the sence that these years roughly represent the high point of imports in the GCC region, the period of declining imports because of the fall in the oil revenues and then the period of relative recovery in imports.

A broad comparision of the directionality of GCC imports from the two catagories of nations clearly reveals that all the six nations of GCC region, except Bahrain, procure a very high proportion of their total imports from the industrially advanced countries. Saudi Arabia, Qatar and Kuwait stand out as the ones which have the highest preference for imports from the

TABLE 2.6

DIRECTION OF GCC IMPORTS BY BROAD ECNOMIC REGION

(PERCENT SHARE AND CHANGE)

	Developed Countries					Developing Countries				
	1981	1985	1989	1981-85 Percent Change	1985-89 Percent Change	1981	1985	1989	1981-85 Percent Change	1985-89 Percent Change
BAHRAIN	30.6	37.6	-	+23	-	68.8	61.3	-	-11	-
KUWAIT	77.5	74.9	62.2	-33	-17	18.7	21.1	32.6	+13	+54
OMAN	62.4	75.0	64.7	+20	-14	36.2	25.0	34.0	-31	+36
QATAR	77.5	74.3	70.3	-41	- 5	18.4	24.5	25.8	+33	+ 5
SAUDI ARABIA	80.4	84.5	73.5	+ 5	-13	15.7	14.7	23.0	- 6	+56
U.A.E.	69.8	74.9	62.1	+ 7	-17	27.7	24.6	33.6	-11	+36

Source: IMF, *Direction of Trade Statistics*. For 1989 UNCTAD: Hand book of International Trade and Development statistics.

developed part of the world. Saudi Arabia's 80.4 and 84.5 per cent imports from the developed countries in 1981 and 1985 respectively represent an exceptionally high proportion by any standard. Developing nations in general have a higher proportion of imports from the developed nations but there are some special reasion for such a heavy reliance of the GCC countries on the developed market economies for their imports.

Looking at this distribution in the context of fall in the total imports of GCC region states in 1985 compared to the level of 1981, it is significant to observe that the imports from the developed world increased proportionately in the case of four out of the six countries of the region only. In the case of Kuwait and Qatar the share of developed nation fell by 33 per cent and 41 per cent respectively. In 1989, however, there was a small but a general fall in the procurement of imports from the developed countries. In the absence of detailed information, the only reasion for this general decrease that can be advanced lies in the reported postponement of large scale capital intensive projects because of reduced availability of oil revenues.

Several reasons have been assigned to an overall preference of the GCC region states for imports from the developed countries. They include past links, builtin preference and the marketing policies of the western multinationals. 1. First, it is argued that the GCC region countries from the very first stage of modernization and development are in touch with the countries of the West through the oil companies which operated in this region as concessionairs. Moreover, western contacts with countries like Bahrain and Kuwait date back to the colonial era. With UAE, (earlier known as the Trucial states) Britain had a very exclusive security agreement which gave it not only political but economic leverage also. This kind of situation creates what is known as "clientale market" for the dominent powers. From those time onwards the GCC states been constantly having a strong trade relationship with the countries of the West.

The second and perhaps amore important reason for disproportionately higher imports of the GCC region countries from the developed market economies lies in

1. Narula, Subhash, *Gulf Economies in the Indian perspective*, New Delhi, 1988, pp. 82-84.

their affluence itself. With very high per capita income, these Gulf states have an attitude "prefer to get the "best, the biggest and the latest' that is available in the world. This obviously leads to more imports from the developed world because of their superior quality of goods. Even in those commodities where cheaper and closer substitute is available from the developing countries, the choice goes for the western goods because of a disregard for relative price difference. If the level of oil revenues continued to remain depressed for some more time there may be a change in the situation but until recently both for consumer goods as well as mechinary and other equipments the GCC countries had a clear preference for western goods and hence more imports from that region.

Besides an aggresive marketing approach of western multinational companies, another factor which explains the higher share of GCC imports from the developed countries is that with the kind of resource endownment that they have, all future industrialization is likely to be petroleum based. Such industries are capital intensive in nature and require very sophisticated technology if they have to be cost effective in the international market. And it is only the technologically advanced countries that can supply that, therefore thedeveloped countries are likely to remain an important source of imports for the GCC region countries in the days to come also.

Major Sources of GCC Imports from the Developed World

From the preceeding discussion it has become clear that the industrially developed countries as a group continue to be a mjaor source of imports for the GCC region countries since 1981. This part will be devoted to the examination of the direction of GCC imports from the developed countries at a disaggregate level. For doing so the values of imports of the six states of the GCC region from eight leading industrial countries and their relative share in the total imports of each states in 1981 and 1985 has been arranged in Table 2.7. In 1981 Japan, United States of America West Germany,and the United Kingdom in the same order emerge out to be the four most important sources of GCC imports. In 1985 also these countries retained their position but the effect of a general fall in imports in the GCC region as a whole was not as uniform on imports from these states compared to 1981 GCC. Imports from the U.S. recorded a highest fall i.e. -37 per cent, followed by Germany (-33 per cent), Netherland (-25 per cent), Japan (-23 per cent) and France (-21 per -cent).

TABLE - 2.7

GCC IMPORTS FROM SELECTED DEVELOPED COUNTRIES

($ US mn.)

	U.S.		JAPAN		FRANCE		GERMANY	
	1981	1985	1981	1985	1981	1985	1981	1985
BAHRAIN	366 [8.9]	118 [3.9]	257 [6.2]	212 [7.1]	47 [1.1]	39 [1.3]	68 [1.6]	111 [3.7]
KUWAIT	983 [13.9]	606 [9.4]	1600 [22.7]	1703 [26.5]	244 [3.4]	285 [4.4]	845 [11.9]	557 [8.7]
OMAN	178 [7.8]	176 [5.7]	516 [22.5]	615 [20.2]	55 [2.3]	121 [3.8]	99 [4.3]	218 [7.8]
QATAR	168 [11]	74 [6]	310 [20]	190 [15.8]	91 [6]	108 [9]	110 [7.2]	110 [9.1]
SAUDI ARABIA	7559 [21.4]	4922 [20.6]	6456 [18.3]	4314 [18.1]	2023 [5.7]	1348 [5.6]	3369 [9.5]	1956 [8.2]
U.A.E.	1345 [14.0]	656 [9.6]	1734 [18.0]	1291 [19.0]	513 [5.3]	422 [6.2]	627 [6.5]	472 [7.0]
Total GCC	10,599	6622	10,873	8329	2973	2323	5118	3424

CONTD...

TABLE 2.7 CONTD.

	ITALY		NETHERLANDS		SWITZERLAND		U.K.	
	1981	1985	1981	1985	1981	1985	1981	1985
BAHRAIN	50 [1.2]	90 [3]	30 [0.7]	45 [1.5]	19 [0.5]	51 [1.7]	248 [6]	230 [7.7]
KUWAIT	409 [5.8]	470 [7.3]	119 [1.7]	115 [1.8]	69 [9.8]	85 [1.3]	550 [7.8]	492 [7.7]
OMAN	44 [1.9]	88 [2.9]	57 [2.4]	109 [3.1]	17 [0.7]	39 [1.3]	331 [14.4]	701 [16.4]
QATAR	72 [4.7]	61 [5]	28 [1.8]	35 [2.9]	21 [1.4]	27 [2.2]	250 [16.4]	189 [15.7]
SAUDI ARABIA	2368 [6.7]	2009 [8.4]	931 [2.6]	554 [2.3]	680 [1.9]	631 [2.6]	2183 [6.2]	1769 [7.4]
U.A.E.	403 [4.2]	501 [7.3]	199 [2.1]	168 [2.5]	113 [1.2]	155 [2.3]	1100 [11.4]	877 [12.8]
TOTAL GCC	3346	3219	1364	1026	919	988	4662	4258

Source: IMF, *Direction of Trade Statistics.*
(Various Issues.)

Note: [ ] = Percentage of total imports.

Fall in imports from the other three countries were much too small i.e. Italy (-4 per cent), Switzerland (-7 per cent) and U.K. (-8 per cent). As regards the import preference of individual countries of GCC region the position has been quite varied and that can clearly be seen in their relative share in the total imports of each of the six importing country.

GCC Imports from Selected Developing Countries

Table 2.8 shows the import of GCC region states with eight selected countries of the developing world in 1981 and 1985. The selection of these countries has been justified for three main reason. First, among the developing states these countries are comparatively more advanced than others and are now for some time catagorized as the newly industralized countries (NICs); Secondly, they are the ones which have the largest share in GCC imports from the developing world as a whole; and thirdly these eight developing nations not only compete with each other in the GCC markets but some of them even enter into competition with the developed nations in certain products.

Taking the GCC region as a whol, in the boom year of 1981 Korea topped the list of developing nations contributing goods worth $1,492 million to the combined

TABLE - 2.8

GCC IMPORTS FROM SELECTED DEVELOPING COUNTRIES

($ US mn.)

	BRAZIL			CHINA			HONG KONG			I N D I A		
	1981	1985	%CHANGE	1981	1985	%CHANGE	1981	1985	%CHANGE	1981	1985	%CHANGE
BAHRAIN	2 (0.07) [0.08]	9 (0.5) [0.30]	350	19 (0.67) [0.64]	8 (0.43) [0.26]	-58	24. (0.84) [0.6]	13. (0.71) [0.43]	-46	29 (1.02) [0.70]	33 (1.81) [1.11]	14
KUWAIT	58 (4.41) [0.8]	37 (2.74) [0.57]	-36	139 (10.6) [1.97]	18 (6) [1.26]	-42	64 (6.9) [0.9]	81.0 (6) [1.26]	26	156.0 (11.9) [2.21]	110.0 (8.14) [1.7]	-29
OMAN	14 (0.48) [0.17]	12 (0.4) [0.4]	200	17 (2.05) [0.74]	10 (1.31) [0.32]	-41	14 (1.7) [0.61]	14 (1.84) [0.46]	0	60 (7.2) [2.62]	50 (6.6) [1.64]	-17
QATAR	24 (8.6) [1.58	20 (7.7) [1.66]	-17	13 (4.6) [0.85]	5 (1.93) [0.41]	-61	10 (3.6) [0.65]	8 (3.10) [0.66]	-20	29 (10.4) [1.91]	21 (8.1) [1.74]	-28
SAUDI ARABIA	117 (2.1) [0.33]	185 (5.26) [0.77]	58	241 (4.4) [0.68]	146 (4.1) [0.61]	-39	302 (5.5) [0.85]	314 (8.94) [1.31]	4	271 (4.9) [0.76]	226 (6.4) [0.94]	-17
U.A.E.	17 (0.6) [0.17]	39 (2.32) [0.57]	129	148 (5.5) [1.53]	70 (4.2) [1.02]	-53	127 (4.7) [1.31]	182 (10.8) 2.66]	43	243 (9) [2.51]	174 (10.4) [2.54]	-28
TOTAL GCC	222	302	+36%	577	320	-44%	541	612	-13%	788	614	-22%

CONTD...

TABLE 2.8 CONTD.

	KOREA			MALAYSIA			PAKISTAN			SINGAPUR		
	1981	1985	%Change	1981	1985	%Change	1981	1985	%change	1981	1985	%Change
BAHRAIN	68.3 (2.4) [1.64]	29.0 (1.6) [0.9]	-57	9 (0.3) [0.2]	4 (0.21) 0.13]	-55	15 (0.52) [0.36]	13 (0.71) [0.43]	-13	45 (1.6) [1.1]	39.3 (2.1) [1.31]	-13
KUWAIT	194 (14.8) [2.75]	2260 (16.7) [3.52]	16	21. (1.6) [0.29]	13. (0.96) [0.2]	-38	45.0 (3.4) [0.63]	37.0 (2.74) [0.57]	-18	57.0 (4.3) [0.8]	133.0 (9.85) [2.0]	59
OMAN	29 (3.5) [1.26]	19 (2.5) [0.62]	-34	17 (2.05) [0.74]	11 (1.4) [0.36]	-35	10 (1.2) [0.43]	52 (6.7) [1.71]	520	61 (7.35) [2.66]	51 (6.72) [1.67]	-16
QATAR	19 (6.8) [1.25]	8 (3.1) [0.66]	-58	3 (1.07) [0.19]	0.6 (0.2) [0.04]	-80	20 (7.2) [1.31]	8 (3.1) [0.66]	-60	26 (9.3) [1.71]	17 (6.6) [1.41]	-35
SAUDI ARABIA	1020 (18.4) [2.89]	1016 (28.9) [4.26]	-0.4	65 (1.2) [0.18]	100 (2.84) [0.41]	54	193 (3.5) [0.54]	198 (5.6) [0.83]	3	368 (6.6) [1.04]	294 (8.3) [1.23]	-20
U.A.E.	162 (6) [1.67]	129 (7.69) [1.88]	-20	44 (1.6) [0.45]	18 (1.07) [0.26]	-59	120 (4.5) [1.24]	139 (8.29) [2.03]	16	255 (9.5) [2.64]	218 (13) [3.19]	-14 -
TOTAL GCC	1492	1427	-4%	159	147	-7%	4.3	447	+10%	812	792	-2%

Source: Same as in Table 2.7

Note: ( ) = Percent of imports from developing countries

[ ] = Precent of Total Imports.

imports the region; followed by Singapur ($812 million); India ($786 million), China ($577 million), Hong Kong ($ 514 million), Pakistan ($403 million), Brazil ($222 million) and Malaysia ($ 159 million).

By 1985, however, the total imports of the GCC region had fallen very substantially over the 1981 level resulting in a general fall in the share of imports from different sources of supply. Imports from the developing countries as group fell more sharply than the developed world. As far as the eight major sources of supply from the developing world are concerned imports from Korea and Singapure because of the over all superior quality and price competiveness of their products suffered the minimum loss over the 1981 level - just about 4 per cent and 2 per cent respectively. Chinese and Indian goods suffered a little heaver loss of 44 per cent and 22 per cent over the same period. Imports from Hong Kong, and Malaysia went down by 13 per cent and 7 per cent respectively. Brazil and Pakistan were the two exception who improved their position by 36 per cent and 10 per cent.

At the disaggregate level i.e. imports of individual member states of the GCC from the eight selected developing nations, preferences show some variation but by and large the bulk of imports come from a few countries which are comparatively developed among the developing countries. For instance in 1985, if one looks into the pattern of Saudi Arabian imports from the developing countries Korea, Singapur, Hong Kong and India in the same order emerge out as the four major sources. In Kuwait Korea, Singapur, India and Hong Kong, India and Pakistan comprised higher percentage of total value of their imports from the developing countries.

CHAPTER -III

COMMODITY COMPOSITION OF GCC IMPORTS

After having studied the main trends in the merchantile imports of the GCC region and its directionality, this chapter aims at analysing another important aspect of our study, namely, the commodity composition of imports.

To being with broad commodity composition of imports of the six GCC states has been analysed on the basis of the Standard International Trade classification (SITC). To have a closer look, even this excercise has been split in two parts. First at the level of Primary and Manufactured imports and then on the basis of various catagories in accordence with the SITC section level classification. To observe the changes in the commodity structure of imports during the reference period of the study data has been compiled for the years 1981, 1985 and 1989. Apart from the fact that these years represent the begining, middle and the end of the ten years period, they are also significant from the point of view of changes in the inflow of oil revenues in the GCC states a factor on which their imports depend in a big way.

In the following sections, first of all those section/catagories will be identified which have the dominant position in the total imports of the GCC states in terms of their relative share and then their growth pattern will be seen over the ten years period starting from 1981. In the second part an analysis of the main catagories of imports will be attempted at a disaggregate level to know the changes in the position of specific commodities. However, for this purpose the disaggregation has been kept confined to two degit level commodity classification (Division level) only except for one or two places where three degit (Group level) references were required. Here also the relative position and changes in imports have been the main focus of study. The only difference being the choice of only two selected years instead of three at the aggregate level analysis.

Primary and Manufactured Imports

The broad import structure of the six GCC states in terms of primary products and manufactured goods is given in Table 3.1 . The first thing that merits attention even at this level of broad classification is that the import profile of Bahrain, a small but important state of the region, is vastly different from its other five neighboures in the GCC region. Unlike

TABLE 3.1
GCC IMPORTS OF PRIMARY AND MANUFACTURED GOODS

(US $ Mn)

Countries	Year	All Goods	Primary Products	Manufactired goods
	1980	3479.2	2290.5 (65.8)	1178.5 (33.8)
Bahrain	1985	3106.7	1737.4 (55.9)	1354.8 (43.6)
	1988	2713.6	1377.5 (50.8)	1201.4 (44.3)
	1981	6969.0	1153.6 (16.5)	5791.1 (83.1)
Kuwait	1984	6896.4	1330.1 (19.3)	4535.5 (65.7)
	1987	5496.4	1234.5 (22.5)	4202.1 (76.4)
	1981	2288.2	618.6 (27.0)	1573.5 (68.7)
Oman	1985	3152.6	523.4 (16.6)	2422.7 (76.8)
	1989	2257.3	510.5 (22.6)	1668.1 (73.9)
	1980	1395.1	296.0 (21.2)	900.9 (64.6)
Qutar	1985	1139.1	250.8 (22.0)	883.6 (77.5)
	1988	1267.3	293.1 (23.1)	968.3 (76.4)
Saudi	1981	35243.4	5602.7 (15.9)	29150.2 (82.7)
Arabia	1985	23622.4	3900.4 (16.5)	19456.7 (82.3)
	1989	21153.6	3623.5 (17.1)	16500.8 (78.0)
	1979	6419.0	1396.9 (21.7)	4930.3 (76.8)
U.A.E.	1985	6744.6	1715.0 (25.4)	5014.0 (74.3)

Source:Computed form U.N., *Yearbook of International Trade Statistics*, Various Issues.
Note :Figures in brackets are percentage shares.

others the imports of Primary products have a larger percentage share in the aggregate imports of Bahrain. The explaination for this exception in an otherwise homogenous region eminates from a few basic differences in the resource enoument and economic structure of Bahrain as compared to the other neighbouring states. Firstly, Bahrain's hydrocarbon resources have nearly exhausted and for quite, some time it is a net importer of crude oil and gas to meet its industrial requirements. Apart from its traditionally develoved services sector, Bahrain also has very big oil refinaries and a few petrochemical complexes which are a major sources of its value added exports. Therefore, it is a net importer of crude oil apart from food. That accounts for the larger share of primary products in the imports of Bahrain in relative terms.

Another noticeable difference in the import structure of Bahrain since the beginning of the 1980s, the share of primary products is steadily on a decline both in value as well as in percentage terms. In 1980 it stood at $2290 million and nearly 65.8 per cent of the total imports but by 1988 it declined by almost a billion dollers accounting for just about 50.8 per cent of the total. The imports of manufactures on the other hand grew by nearly 10 per cent in 1988 over the share of these imports in 1980. The detailed discription of these broad catagories of imports will follow as we proceed further to the disaggregate study.

Apart from Bahrain, the broad structure of commodity imports in the other five states of the GCC region is by and large similar. It is marked by a predominance of manufactured goods. There are, ofcourse, minor difference in the relative shares from one country to the other depending upon their specific requirements. This pattern is commonly found in the imports of the developing countries because in the early stages of their economic development they require all types of capital and intermediate goods. In other words, their dependence on the import of new technology for domestic industrialization is so great and in certain cases so complete that the share of manufactures as a catagory is bound to be very high in their total imports. In the case of GCC region states it is more so because their indegenous production base is extreemely narrow and small. These countries depend almost exclusively on others not only for their requirements of capital goods but also a wide range of durable and even non-durable manufactured consumer goods.

However, if one tooks at the pattern of the relative share of Primary products and the manufactured goods in the region during the 1980s in all the GCC states except Oman the ratio of primary products in the total imports is on the increase where as that of manufactures has relatively declined. For instance in the case of Kuwait the share of primary products has increased from 16.5 per cent to 22.5 per cent of the total imports through the 1980s. In Qatar, Saudi Arabia and the UAE the increase has not been so pronounced but it has been consistant. In this context it is necessary to point out that in most of the cases in value terms imports of primary products has either been the same through the decade or declined but since this decline has been slower than the fall in the value of total imports the relative share of the catagory has followed an upward trend. The most spacaculer fall in the import value of this catagory can be seen in the case of Saudi Arabia where total import of primary products has gone down by nearly $2 billion between 1981 and 1989.

As far as the trend of manufactured imports is concerned they have declined appreciably both in value and relative terms in the major states of Saudi Arabia, Kuwait and the UAE. It is because the pace of overall economic activity as well as government spending has slowed down considerably in these states due to the fall in oil prices and revenues since the mid-1980s.

Import structure by catagories of Goods

At this second level of aggregation an effort has been made to study the commodity composition of GCC imports in a relatively detailed manner. To falitate a better view some SITC sections have been clubbed togather (Table 3.2). For instance Beverages have been clubbed with basic food (Section 0+1) and manufactured articles both classified by materials (Section 6) and those falling under the miscellaneous manufactures (Section 8) have been put togather. Similarly all raw materials other than Mineral fuels (Section 2+4) have been shown in one catagory.

As mentioned earlier, Bahrain's import profile is different from the rest of the GCC region. Mineral fuels in raw form constitute bulk of its imports although its share is constantly been falling during the 1980s. By 1988 mineral fuel imports of Bahrain fell down by nearly 13 per cent compared to 1980. It is significant to note in this context that the fall in this particular catagory of import was much faster than the pattern of decline in the total imports between

TABLE 3.2

GCC IMPORTS BY CATAGORIES OF GOODS: 1981-1989
(Percentage Shares)

Country/ Years	Food & Bevera-ges	Raw Mate-rials Excl. Min Fuels	Mine-ral Fuels Lubri-cants etc.	Che-micals	Mechi-nary & Trans-port Equip-ment	Other Manu-factures	Total
	0 + 1	2 + 4	3	5	7	6 + 8	0 + 9
Bahrain							
1980	6.7	0.9	58.3	3.8	15.0	14.0	100.00
1985	8.1	1.3	46.6	5.1	20.6	17.8	100.00
1988	8.6	1.2	40.0	6.3	19.5	18.4	100.00
Kuwait							
1981	14.0	1.5	0.6	3.9	41.0	38.1	100.00
1984	16.9	1.7	0.6	4.8	38.7	22.2	100.00
1987	18.9	2.1	1.4	7.2	33.7	35.5	100.00
Oman							
1981	12.1	1.7	13.0	3.5	39.0	26.2	100.00
1985	13.0	1.7	1.8	3.9	41.7	35.0	100.00
1989	19.1	1.5	1.9	6.1	36.0	31.6	100.00
Qatar							
1981	14.6	5.4	1.2	5.3	29.1	30.0	100.00
1985	17.3	3.8	0.8	5.2	39.1	33.3	100.00
1988	18.8	3.6	0.7	6.4	39.5	30.4	100.00
Saudi Arabia							
1981	13.9	1.2	0.7	3.9	40.7	38.1	100.00
1985	14.2	1.7	0.5	6.4	35.7	40.1	100.00
1989	14.9	2.1	-	7.4	37.5	32.9	100.00
U.A.E.							
1981	9.6	1.2	9.8	3.9	37.5	35.4	100.00
1985	16.1	2.6	6.5	6.0	31.0	36.9	100.00

Source: Same as in Table 3.1.

1980-88 because in all other catagories the overall trend has been upward during this period. While there was a marginal increase in the share of food and beverages, import of mechinary and transport equipment and that of other manufactured items grew substantially in percentage terms and in certain catagories even in value terms.

In rest of the GCC region states the commodity composition of imports in terms of various catagories shown in Table 3.2 is by and large similar with only minor variations. Some of the important patterns that emerge out of this study are as follows:

(1) The first feature that clearly emerges out of a comparative study of imports in various major catagories is the continued dominance of section 7 (Mechinary and Transport Equipment) dispite its falling share in some of the major states of the region. In 1981 when economic activity in general and drive to build up infrastructure for a diversified production base was at its peak throughout the oil exporting states of the GCC region, the share of various types of mechinary and transport equipment in total imports was well over 40 per cent in Kuwait, and Saudi Arabia; 39 and 37 per cent respectively in Oman and the UAE. At

that time in all these states not only new infrastructural facilities were being created but the old ones were being modernised. Similarly on the industrial front large downstream oil projects such as refinaries, petro-chemical and chemical fertilizer plants were comming up, all boosting the import requirement of new sophisticated and expensive capital goods.

However, as the oil prices and the revenues gradually began to decline in mid and later part of the 1980s, the governments of the GCC region states were not only forced to shelve some of the new projects, the execution of even the on-going ones was delayed because of the sudden financial difficulties. As a result of this the share of Mechinary and transport equipment in total imports started registering a downward trend. The fall of imports under section 7 was most pronounced in Kuwait where it came down from 41 per cent in 1981 to 33.7 per cent in 1987. In Saudi Arabia it fell from 40.7 per cent to 37.5 per cent; In UAE from 37.5 per cent in 1981 to a mere 31 per cent in 1985. In the case of Oman it initially grew by over 2 per cent between 1981 and 1985 but then fell by over 5 per cent in 1989. The only two states where the share of section 7 in total imports registered an upward trend were the non-OPEC members Bahrain and Qatar.

2. The second most important catagory of imports across the GCC region is that of manufactured goods falling under the SITC sections 6 and 8. It is interesting to note that unlike section 7, the relative share of this catagory has been rising in all the states during the 1980s except in the two major states of Kuwait and Saudi Arabia. In the case of Kuwait the imports of this catagory fell sharply from 38 per cent in 1981 to just over 22 per cent in 1984 and then recovered in 1987 but only reached 35 per cent of the total imports. In Saudi Arabia import of manufactures marginally recovered in 1985 over the 1981 share and then fell sharply by nearly 7 per cent in 1989.

However, if one looks at the trend of these imports in terms of value, a quite different picture emerges. Except for Oman and the UAE where the value of imports under section 6+8 increased after 1981, in rest of the region in value terms the imports in this catagory have fallen towards the end of the decade compared to 1981.

3. The third and perhaps the most crucial catagory of imports for the region has been that of food and

Beverages (Section 0+1). It is very well known that the countries of the GCC region do not have any agricultural base worth its name and have to depend for their food requirements on imports from out side. The elasticity of demand for food is also quite inelastic. Therefore, notwithstanding a general fall in the total imports , throughout the GCC region, food imports registered a very considerable increase both in percentage as well as value terms. It is also important to note in this context that where as in section 7 and section 6+8, the two most dominant catagories of imports, there were fluctuations in the relative share and values during the 1980, as far as imports of food and beverages are concerned the rise has been consistant throughout the region except for Saudi Arabia where a marginal fall in value terms is witnessed. Between 1981 and 1989 the share of food imports increased from 6.7 to 8.6 per cent in Bahrain, 14 to 18.8 per cent in Kuwait, 12 to 19 per cent in Oman, 14.6 to 18.8 in Qatar, 13.9 to 14.9 in Saudi Arabia. IN UAE it rose from 9.6 per cent to a collosal 16 per cent in UAE between 1981 and 1985.

4. Another catagory in which imports have shown a consistant rise in their relative share throughout the region is that of chemicals (Section 5). In all the

states its share has increased by 3 to 4 per cent during the 1980s, except for Qatar where only 1 per cent increase in witnessed.

Commodity Composition of Imports at Disaggregate level

From the preceeding analysis of the commodity composition of imports at the section level it becomes clear that in atleast five states of the GCC region the three most important sections (in descending order) are food and Beverages (Section - 0), Manufactures classified by materials (Section - 6) and Mechinary and Transport Equipment (Section - 7). The combined snare of these three sections in total imports works out to be 70 per cent in Kuwait, 71 per cent in Oman, 75 per cent in Qatar, 71 per cent in Saudi Arabia and 67 per cent in UAE.

Therefore, in this part of the study which seeks to examine the commodity composition of imports at a disaggregate level only the above three SITC Sections have been selected. Only a brief analysis in terms of the relative share of each Division and the change in its value over 1981 has been attempted:

A) Food Imports in the GCC Region

The detailed import profile of basic food items in the GCC region at the level of SITC two digit (Division level) classification has been compiled in Table 3.3. below. It also give the value of imports of each item for the last year of avaiable statistics and the percentage change in value over 1981.

The first characteristic feature that clearly emerges out for the whole region is that those items which are more basic then others have a higher share in the total food imports. It also reflects the level of domestic availability constraint. For instance vegetable and fruits (05) and cereals (04) have the largest share in the total food imports in almost all the countries of the region. Togather these two items constitute more then 40 per cent of the total food imports. In the case of Oman their combined share has been as high as over 60 per cent.

The other food item on which the dependence appears to relatively high are live animals (001), meat and its preparations (01), and dairy products (02). Since the local availability of fish and its preparations is quite comfortable in the region its imports are made only in Kuwait and Saudi Arabia that too, perhaps, of very special kind and quality.

TABLE 3.3

GCC : PATTERN OF FOOD IMPORTS

(US $mn)

SITC Division	Discription	Bahrain (1988) Value	%Change Over 1981	Kuwait (1987) Value	%Change Over 1981	Oman (1988) Value	%Change Over 1981
001	Live animal for food,	20.5 (9.3)	22.0	135.3 (14.0)	7.8	13.4 (4.6)	-
01	Meat & preparation	28.3 (12.9)	22.5	97.4 (10.1)	-24.2	54.1 (18.9)	25.8
02	Dairy Products,Birds Eggs.	27.7 (12.6)	77.5	107.7 (11.1)	3.6	59.4 (20.7)	47.7
03	Fish & Preprations	-	-	28.3 (2.9)	4.0	-	-
04	Creal & Preparations	37.6 (17.2)	-11.9	121.1 (12.5)	-3.1	90.9 (31.7)	73.1
05	Vegetable & Fruits	61.4 (28.1)	25.5	293.2 (30.4)	27.1	91.1 (31.8)	67.4
06	Sugar & preparations Honey	10.3 (4.7)	-35.2	31.3 (3.2)	-42.8	17.2 (6.0)	7.5
07	Coffee, Tea Spices	13.3 (6.0)	-23.5	80.6 (8.3)	1.5	16.5 (5.7)	-9.3
08	Feed for Animals	-	-	22.3 (2.1)	74.2	3.3 (1.1)	-
09	MISC Food Prepara-	9.3 (4.2)	24.0	46.8 (4.8)	78.6	17.4 (6.0)	75.7

CONTD...

TABLE 3.3 Contd.

SITC DIV.	Qatar (1988) Value	Qatar (1988) %Change Over 1981	Saudi Arabia (1988) Value	Saudi Arabia (1988) %Change Over 1981	U.A.E. (1986) Value	U.A.E. (1986) %Change Over 1981
001	38.8 (17.7)	71.6	397.0 (13.7)	- 29.6	91.9 (8.4)	-
01	22.8 (10.4)	0.8	313.2 (10.8)	- 37.4	139.7 (12.8)	91.1
02	26.3 (12.0)	-20.5	414.9 (14.3)	17.9	98.4 (9.0)	61.8
03	-	-	63.3 (2.1)	-	-	-
04	39.1 (17.9)	17.4	668.6 (23.1)	- 56.2	163.8 (15.0)	12.4
05	45.1 (20.6)	56.0	592.2 (20.5)	- 8.2	364.6 (33.5)	170.0
06	7.6 (3.4)	- 40.6	100.6 (3.4)	- 75.3	46.7 (4.4)	77.5
07	12.7 (5.8)	- 21.6	236.8 (8.2)	2.4	93.5 (8.6)	46.3
08	11.8 (5.4)	-	-	-	30.8 (2.8)	-
09	12.0 (5.5)	- 8.3	167.9 (5.8)	-	41.9 (3.8)	23.9

Source: Same as in Table 3.1

Note : Figures in brackets are percentage shares of different Div.

The change in the value of different food items since 1981 has not been uniform in the region. In Saudi Arabia for instance which is largest net importer in the region, the value of almost all food items has gone down very considerably except for dairy products where some significant growth can be seen. It is because the total Saudi import of food and Beverages itself has gone down by nearly $14 billion between 1981 and 1989 mainly because of overall improvement in the domestic agricultural production, specially wheat.

In other countries some of the notable changes in the value of imports are 77 per cent increase in dairy product in Bahrain, 73 and 67 per cent increase in vegetable and cereals imports in Oman and, 71 per cent growth in the value of live animals and a 56 per cent increase in vegetables in Qatar.

The most spectacular rise in the import value of major items of food are, however, witnessed in the case of UAE where the value of vegetable and fruits increased by a 170 per cent, meat and products 91 per cent, Sugar and preparations 77 per cent and Dairy products nearly 62 per cent.

B) GCC Imports of Manufactures

This sub-section deals with the GCC imports of manufactures (SITC section 6 only) at a disaggregate level. The critarian of data presentation and analysis is the same as adopted above in the case of food imports. Table 3.4 below gives the summary view.

The most important feature in this catagory of imports, which is common to all the six states of the region, is that imports under just three SITC Division, Textile, Yarn, Fabrics (65), Non-Metal Mineral Manufactures (66) and Iron and Steel (67) constitute between 52 per cent to 65 per cent of the total imports. As far as the rative position of the above three divisions in different countries is concerned. it appears that imports of Textile, Yarn and Fabrics have the highest share except in the case of Oman and Qatar where Iron and Steel imports have a major share.

However, as seen in the case of food items, the percent change in imports of different manufactured items is quite different than their relative importance within the catagory. For instance the import of non-ferrous metals has undergone a major change recording an increase over 1981 of 163 per cent in Qatar, 65 per cent in Saudi Arabia and 53 per cent in UAE.Only in

TABLE 3.4

GCC : PATTERN OF MANUFACTURED IMPORTS

(US $ mn)

SITC Division	Discription	Bahrain (1988) Value	%Change Over 1981	Kuwait (1987) Value	%Change Over 1981	Oman (1988) Value	%Change Over 1981
62	Rubber Manuf.NES	10.6 (3.5)	13.9	50.4 (4.7)	- 56.7	30.6 (7.1)	33.0
63	Wood Cork Manuf NES	19.2 (6.4)	84.6	42.6 (4.0)	- 40.1	27.7 (6.4)	18.8
64	Paper, Paper Board & MFR	32.5 (10.9)	57.0	107.3 (10.2)	7.7	33.9 (7.9)	171.2
65	Textile, Yarn Fabric etc.	60.2 (20.2)	10.0	289.5 (27.5)	- 14.6	66.6 (15.6)	- 2.4
66	Non-Metal Minerals MFS,NES	60.2 (20.2)	2.7	174.4 (16.6)	- 42.9	43.0 (10.0)	- 55.3
67	Iron & Steal	42.9 (14.4)	-30.8	187.6 (17.8)	- 54.1	145.6 (34.1)	16.0
68	Non Ferrous Metals	16.5 (5.5)	-62.8	52.9 (5.0)	9.9	8.7 (2.0)	-
69	Metal Manuf NES	55.0 (18.4)	-29.3	-	-	69.6 (16.3)	5.6

CONTD...

TABLE 3.4 Contd...

SITC Division	Qatar (1988) Value	%Change Over1980	Saudi Arabia (1988) Value	%Change Over1981	U.A.E.(1986) Value	%Change Over 1979
62	18.0 (7.5)	24.1	416.0 (8.2)	7.4	79.8 (5.4)	49.4
63	12.5 (5.2)	1.6	242.9 (4.8)	-44.9	51.8 (3.5)	- 15.6
64	21.4 (8.9)	132.6	383.9 (7.6)	18.6	82.3 (5.5)	101.7
65	37.3 (15.6)	-31.4	1434.7 (28.4)	0.1	517.0 (35.0)	26.4
66	35.6 (14.8)	-21.4	518.5 (10.2)	-66.1	136.6 (9.2)	- 14.7
67	51.1 (21.3)	26.1	983.7 (19.4)	-57.7	306.1 (20.7)	- 32.2
68	15.0 (6.2)	163.1	332.1 (6.5)	65.3	65.9 (4.4)	52.9
69	47.6 (19.9)	-30.6	726.8 (14.3)	-70.5	228.9 (15.5)	- 23.6

Source: Same as in Table 3.1
Note : Figures in brackets are percentage shares of differnt Div.

Bahrain they were down by 63 per cent. The second division in which the imports have undergone a major change over time is Iron-Steel. Except for Oman and Qatar the imports of this item has gone down considerably every where, specially in Kuwait and Saudi Arabia. This trend can be attributed mainly to a general recession in the construction industry in the entire GCC region.

C) GCC Imports of Mechinary and Transport

Although SITC section 7 has been identified as one of the most important single catagory of imports in the GCC region countries, the availability of imformation puts a serious restraint on the detailed analysis at a disaggregate level. Except in the case of Saudi Arabia, for all other countries data for 1981 is classified on the basis of SITC (Rev.1). For the later years of the decade, however, it is available on the basis of SITC (Rev.2). Since there is difference between the two even at the division level, it is not possible to study the change in the level of imports of different items over the years. Besides that detailed imformation for Bahrain and Kuwait is not available at all for various divisions of section 7.

Nevertheless, on the basis of partial statistics compiled in Table 3.5 , it is found that in this

TABLE 3 5

GCC· PATTERN OF MACHINARY AND TRANSPORT EQUIPMENT IMPORTS

(US $ mn)

SITC DIVISION	DISCRIPTION	OMAN 1988 Value	OMAN % Change Over 1981	QATAR 1988 Value	QATAR % Change Over 1980	SAUDI ARABIA 1988 Value	SAUDI ARABIA % Change Over 1981	U A.E 1988 Value	U A.E % Change Over 1981
71	Power generating & equipment	31 4 (4 2)		17 6 (3 5)		306 5 (4 0)	68 1	180 3 (8 6)	-
72	Mechine for particular Industries	112.7 (15 3)	-	87 8 (17 5)	-	346 6 (4 6)	-75 9	287 7 (13 8)	- -
73	Metal working Machinary	4 1 (0 5)	-	-				-	-
74	General Industrial Machinary	99 1 (13 4)	-	67 9 (13 5)		1503 0 (20 0)	50 1	445 1 (21 5)	-
75	Office Machine & equipment	24.8 (3 3)	-	138 1 (27 6)		221 8 (2 9)	23 0	56 5 (2 7)	-
76	Telecom, Sound Eqp	43 0 (5 8)	-	77 1 (6 6)		590 2 (7 8)	44 6	216 1 (10 3)	
77	Electrical Machinary etc	99 5 (13 5)	-	58 1 (11 6)		1338 8 (17 8)	50 2	324 1 (15 5)	-
78	Road Vehcle	306 8 (41 6)	-	216 3 (43 2)		2667 8 (35 6)	29 8	523 4 (25 1)	-
79	Other Transport equipment	14 2 (1 5)	-	4 0 (0 7)	-	480 9 (6 4)	55 7	50 3 (2 4)	-

Source Same as in Table 3 1

Note Figures in bracket are percentage shares of different Div catagory import of Road vehicles (78) has the highest percentage share ranging between 25 per cent in the case of UAE to 43 per cent in Qatar. The other other three divisions which have a relatively large share are Mechines for special industries (72), General Industrial Mechinary (74), and Electrical Mechinary (77). In the four countries surveyed, generally 10 per cent to 20 per cent imports were made under the above three SITC Divisions.

As far as Saudi Arabia is concerned the level of imports in all the Division of Section 7 has considerably gone down in value terms except for the General Industrial Mechinary (74) and Office Mechines and Equipment (75) where there was a growth of 50 and 23 per cent in 1988 over 1981.

CHAPTER - IV

GCC IMPORTS FROM INDIA: A BRIEF SURVEY

India's trade relations with the countries of the Gulf region are age old. But in more recent times, specially after the descovery and commerical production of oil, the trade linkages of the Gulf region with industrially advanced countries of the West got a natural boost relegating the East (including India) to the margins. This process was natural and inevitable because apart from being the colonial powers of that time, the countries of the West had the technology required to discover and produce oil resources of the Gulf region. The growing energy requirements of the West naturally made the it a bigger export outlet of the crude oil produced in the region. On the other hand as the oil income of the Gulf states increased, the goods produced in the industrially advanced countries of the West got both favour and preference in the Gulf. It is not to suggest that in the growing prosparity and the fast pace of economic development of the Gulf region, the developing nations got no opportunity to stregnthen their trade and economic ties with the Gulf countries. In fact, both imports of the developing nations from the Gulf and their exports to that region have increased substantially during the last three decades, but their share in total trade remianed very low.

The main objective of this chapter is to make a very berief study of the pattern and nature of GCC imports from India during the 1980s. To provide a proper perspective to this study of imports, it has also been thought necessary to analyse some important features of GCC's overall trade relationship with India during the same period. However, in this context it is important to mention that intention here is not to approach the problem from the point of view of India's exports to that region although for the reasions of necessity and convenience mostly India's exports statistics has been used to indicate the GCC's imports from India.

GCC'S Overall Trade With India

A trade profile of the six GCC region countries with India between 1981 and 1989 is given in Table 4.1. The first and the foremost feature that emerges out of these figures is that with the sole exception of Oman, all the other five countries of the GCC region have consistantly enjoyed a positive balance of trade with India throughout the 1980's. Although in current rupee terms the value of imports from India has generally registered an upward trend in the case of all the six states of region, the main factor influencing the balance of trade in each case has, however, been the value of exports to India over the years.

As far as the quantum of trade surpluses are concerned, it varies from country to country depending upon the total value of trade each country of the region has with India. For instance Saudi Arabia, U.A.E. and Kuwait, the three largest trading partners of in India in the GCC region, had an aggregate trade surplus of Rs. 7422 crores, Rs. 2218 crores and Rs. 2002 Crores repectively between 1981-89, while Bahrain, Oman and Qatar landed up with a surplus of Rs. 807 crores, s. 289 croes and Rs. 190 crores.

A significant thing to note in the context of overall trade between the GCC states and India during the 1980s is that during this period total quantum of the trade has substantially increased in comparision to the previous decade i.e. 1970s. Compared to the nine years period between 1971-79, the total volume of trade with India increased from Rs. 196 crores to Rs. 1444 crores in the case of Bahrain, Rs. 308 to 1273 crores in Oman, Rs. 109 to 567 crores in Qatar; Rs. 2058 to 11533 crores in Saudi Arabia and Rs. 1037 to 6792 crores in U.A.E.[1]

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1. For the volume of trade during 1971-79, see Narula,S.,India's Gulf Exports, 1988, pp. 54-57.

Main Trends in the GCC Imports from India

As far as the GCC imports from India are concerned, in rupee terms, uptil 1985-86 there was a slow but consistantly an upward trend in all the six countries of the region, barring ofcourse minor variations. However, as a result of a sudden and sharp decline in the overall imports of the GCC states due to fall in oil prices, imports from India also declined substantially for two years i.e. 1986-87 and 1987-88 but only to pickup again in the next year. In this context U.A.E. was a notable exception in the sence that its imports from India rose from Rs. 152 crores in 1980-81 to Rs. 424 croes in 1988-89 on a sustained basis. (See Table 4.1).

Table 4.2 gives the shares of India in the total imports ofdifferent countries the GCC region in 1980-81 and 1986-87 and the average annual growth of these imports over the six years period. Except for Kuwait where imports from India declined by a little less than 1 percent per year, in all the other cases as well as in the region as a whole these impots registered a possitive growth rate between 1980-81 and 1986-87. In the case of U.A.E. and Bahrain the growth rates have been impressive, while in other states they can be termed as moderate to low.

TABLE : 4.1

GCC'S TRADE WITH INDIA

(RS. CRORES)

YEARS	BAHRAIN Ex port	Im port	Tra-de Bala-nce	KUWAIT Ex-port	Im-port	Tra-de Bala-nce	OMAN Ex-port	Im-port	Tra-de Bala-nce
1980-81	41.7	16.6	25.1	337.6	96.6	241.0	1.7	33.7	- 32.0
1981-82	81.7	20.1	61.6	278.0	132.0	145.9	0.7	45.7	- 44.9
1982-83	139.9	24.0	115.9	278.9	119.7	159.3	1.0	43.9	- 42.9
1983-84	101.9	26.0	78.9	261.6	110.1	151.5	0.6	43.8	- 43.2
1984-85	259.5	50.4	209.0	285.8	114.6	171.2	167.5	55.3	112.2
1985-86	156.5	39.7	116.8	314.6	121.6	193.0	358.3	63.7	294.6
1986-87	95.3	28.1	67.3	290.3	92.5	197.8	164.2	46.3	117.9
1987-88	55.6	36.0	19.6	471.5	106.1	365.4	80.7	84.3	-3.6
1988-89	232.0	39.2	192.8	521.1	144.0	377.0	06.4	75.7	-69.4

CONTD....

TABLE 4.1 CONTD..

(RS.CRORES)

	QATAR			SAUDI ARABIA			U. A. E.		
YEARS	Ex port	Im port	Trade Balance	Export	Import	Trade Balance	Export	Import	Trade Balance
1980-81	43.2	17.3	25.9	540.0	164.9	375.2	349.9	152.3	197.7
1981-82	48.4	25.3	23.0	829.8	180.1	649.7	470.5	210.7	259.8
1982-83	28.0	22.2	5.8	1495.9	227.1	1268.8	360.7	199.4	161.4
1983-84	30.2	17.7	12.5	1069.0	213.5	855.5	270.3	213.6	56.7
1984-85	51.4	30.0	21.4	1247.9	243.2	1004.7	394.8	266.3	128.5
1985-86	56.8	19.4	37.4	773.9	211.9	561.9	609.3	278.2	331.0
1986-87	32.7	17.9	14.8	862.3	213.6	648.8	368.2	285.8	82.4
1987-88	37.1	17.0	20.0	765.4	277.8	487.7	762.9	309.5	453.4
1988-89	51.2	21.7	29.6	1893.3	323.5	1569.8	871.1	423.7	447.4

Source: DGCIS, *Monthly Statistics of Foreign Trade of India*, March issue.

TABLE: 4.2

IMPORT OF GCC COUNTRIES FROM INDIA

(RS. CRORES)

COUNTRIES	1980-81	1986-87	AVERAGE ANNUAL GROWTH RATE%
Bahrain	16.62	28.07	9.12
	(3.4)	(4.1)	
Kuwait	96.65	92.51	- 0.72
	(20.1)	(13.5)	
Oman	33.67	46.27	5.44
	(7.0)	(6.8)	
Qatar	17.30	17.88	0.55
	(3.6)	(2.6)	
Saudi Arabia	164.88	213.50	4.40
	(34.2)	(31.2)	
U.A.E.	152.30	285.79	11.06
	(31.6)	(41.8)	
Total GCC	481.42	684.02	6.02

Source: Same as in Table 4.1
Percentages and growth rates computed.

Note : Figurs in bracket are the percentage share of each country in the total import of the GCC region from India.

As far the market distribution of the total imports from India within the GCC region, the three major states of Kuwait, Saudi Arabia and the U.A.E. togather atteracted as much as nearly 86 percent of these imports both in 1980-81 and 1986-87, with the remaining 14 percent to be distributed among the other three states. Individually U.A.E. has the distinction of having increased its share of imports from India by well over 10 percent over the six years period since 1980-81. In the year 1986-87 its share of imports from India was highest in the region to be followed by Saudi Arabia and Kuwait.

Another way of examing the trend of GCC imports from India is to look into India's share in the total imports of the GCC region countries. This will indicate their preference for Indian goods in changing market conditions in the area. If one were to approach the problem for the Indian point of view, these trends could also be viewed as an index of India's performance in the Gulf markets.

Looking at the problem form this point of view one finds that while GCC imports from India in rupee terms increased at a very fast rate during the 1970's and some what moderately during the 1980's as well, the share of these imports in the total imports of quite a few states of the GCC region went down in 1985 compared to 1981 (Table 4.3). This means, in very general terms, that Indian goods could not stand upto the competition in terms of quality in the GCC markets all these years. To be more specific between 1981 and 1985 imports from India improved their relative share in just two states, Bahrain and Saudi Arabia, remained stable in U.A.E., and declined in the case of Kuwait, Oman and Qatar. In fact between 1981-1984 imports from India by and large maintaned their share and then suddenly fell in 1985.

Commodity Composition of Imports from India

After having examined the pattern of overall Indo-GCC trade during the 1980's and a few main trends in the aggregate imports of GCC states from India, an effort has been made in the following section to analyse the the commodity composition of imports from India to the GCC region at the of SITC Section level classification of goods between 1980-81 and 1986-87 and see their growth rate during this period.

The changes in the commodity composition of GCC imports from India are shown in Table 4.4. Some of the important features of this composition are as follows:

Over the seven years period since 1980-81, the concentration towards the import of primary commodities form India has increased througout the region, except

TABLE 4.3

INDIA'S SHARE IN THE IMPORTS OF GCC STATES

(PERCENTAGE)

COUNTRY	1971	1981	1985	PERCENTAGE CHANGE 1981-1985
Bahrain	1.8	0.7	1.1	+57.1
Kuwait	3.2	2.2	1.7	-22.7
Oman	2.3	2.6	1.6	-38.5
Qatar	2.9	1.9	1.7	-42.1
Saudi Arabia	1.8	0.8	0.9	+12.5
U.A.E.	3.5	2.5	2.5	+ 0

Source: Computed from IMF ,*Direction of Trade Statistics*.

TABLE : 4.4

GCC IMPORTS FROM INDIA ACCORDING TO SITC SECTIONS.

(PERCENTAGES AND GROWTH RATES)

SITC SECTIONS	BAHRAIN 1980-81	BAHRAIN 1986-87	BAHRAIN Average Annual Growth Rate%	KUWAIT 1980-81	KUWAIT 1986-87	KUWAIT Average Annual Growth Rate%	OMAN 1980-81	OMAN 1986-87	OMAN Average Annual Growth Rate%
0	43.4	54.4	13.54	54.8	66.1	2.43	31.7	43.7	11.23
1	1.2	3.5	28.27	Neg.	0.4	9.66	1.7	2.4	12.08
2	1.7	6.0	35.19	4.4	1.7	-15.58	2.0	3.0	13.33
3	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	4.3	-
5	2.9	2.4	5.71	1.6	1.6	- 1.41	6.4	4.6	- 0.15
6	30.7	14.3	- 3.81	14.5	7.2	-11.63	33.8	17.7	- 5.39
7	12.6	6.6	- 1.84	10.1	2.5	-21.47	10.4	6.6	- 2.16
8	9.0	9.4	10.37	13.4	19.4	5.44	13.5	15.6	8.06
9	1.4	0.2	-20.06	Neg.	0.3	-10.14	Neg.	4.7	38.20

CONTD...

TABLE 4.4 CONTD.

(PERCENTAGES AND GROWTH RATES)

SITC	QATAR			SAUDI ARABIA			U.A.E		
SECTIONS	1980-81	1986-87	Average Annual Growth Rate%	1980-81	1986-87	Average Annual Growth Rate%	1980-81	1986-87	Average Annual Growth Rate%
0	32.8	34.7	1.52	31.0	49.5	12.88	47.9	51.6	12.45
1	Neg.	2.3	21.09	4.4	7.5	14.24	1.5	1.6	13.18
2	2.2	2.4	2.03	1.9	3.2	14.06	6.0	1.5	-11.42
3	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	Neg.	0.02	-
5	2.4	1.8	- 4.43	2.4	3.8	13.15	2.6	2.6	11.31
6	52.8	14.0	-19.43	34.5	17.3	- 6.89	25.6	18.7	5.38
7	5.3	5.7	1.90	7.9	3.9	- 7.06	5.2	3.6	4.63
8	3.2	29.8	46.05	16.9	12.9	- 0.21	9.8	19.4	24.59
9	Neg.	0.3	- 6.53	Neg.	0.3	- 2.91	1.9	0.1	-27.78

Source: Same as in Table 4.1
Percentage and Growth rates computed.

perhaps in the U.A.E. where they remained at nearly the same level. The greatest and by far the most striking change in this respect is witnessed in Saudi Arabia where the share of the primary commodities increased from 37 percent of the total imports of the country from India in 1980-81 to as much as over 60 per cent in 1986-87. In Bahrain imports form India under this catagory increased form 46 per cent to nearly 64 per cent in Kuwait from 59 to 68 percent, in Oman 35 to 49 per cent and in Qatar from 35 per cent to 39 per cent of the total.

Another important aspect of this concentration which needs to be highlighted is that primary commodity imports form India almost exclusively comprise of agricultural and allied products i.e. live animals, other food items, beverages, tobacco and inedible crude materials. In all the three sections (0-2) the percentage share has generally increased over the seven years period. However, the most important single section is that of Food and Live Animals (0). This Section not only dominates the total imports from India into the GCC region in all the cases (except the UAE), imports under this section have vastly improved their relative share also between 1981 and 1987.

In this context it is very important to mention that at the further disaggregate level (Three digit classification), there are just five or six commodities which comprise bulk of the primary imports from India in the six states of the region. They are, in differing order of relative significance, Rice (042), vegetables and fruits (054-057), Tea (074), Spices (075), Meat (011). In most of the cases these six commodities constitute more than 80 percent of the total primary commodity imports from India.

While there is a general increase in the relative share of primary commodities in the total GCC imports from India, a fall in the imports of manufactures is just the other side of the coin. But within this broad catagory of manufactures, between 1980-81 and 1986-87 the greatest fall is witnessed in the relatives share of the imports of section (6). The share of import of goods in this section from India has fallen to nearly half in the case of Bahrain, Kuwait, Oman and Saudi Arabia while in the case Qatar the extent of fall has been very great i.e. from 53 percent in 1980-81 to just about 14 percentof the total imports from India in 1986-87. Almost the same pattren is seen in the share of goods under Section 7,(Mechinary and Transport equipment). In Section 8,(Other manfactures), however, the relative share of imports from India has shown some increase in the region, the most pronounced being Qatar , where the share of Section 8 has increased appreciablly from 3.2 percent in 1980-81 to nearly 30 percent in 1986-87 and in the UAE from 9 percent to 19 percent over the same period.

As far as the rates of growth of GCC imports from India at the section level are concerned, over the seven years period under study there has been all pervasive and, in some cases, even high annual growth under sections(0-2), but at the same time in manufactures section (5-8), in most of the countries the growth rate has fallen quite substantially. The only exception in this respect are Qatar and the U.A.E. Where the imports of manufactures from India have shwon some growth.

SUMMARY AND CONCLUSIONS

The following paragraphs present a summry view of the discussion in the preceeding four chapters and highlight some of the main trends and conclusions that emerge out of the study. Keeping in mind the frame work of the study the focus will remain confined to the changes witnessd in the pattern of the ovrall merchantile imports of the six GCC states, its commodity compositon and directionality besides the region's imports from India.

As far as the economies of the GCC region are concerned in modern times they have undergone three distinct phases of development, incidentally each comprising roughly a ten years period. Although oil production had started in different countries much earlier but concerted efforts to use the monetary resources for developmental purposes began in the region in 1960s marking the first phase of economic development. In this phase the entire region began to tranform from traditional desert economies into the modern ones. Not only that the new infrasturcture was created, this phase also was creadited with the establishent of new economic institutions. The second phase which began in early 1970s put the economies of the region on a path of very rapid economic growth.

Between 1970 and 1980 various economies recorded an average annual increase in GDP ranging between 22.3 percent in Kuwait to 36.8 percent in UAE a growth pattern unheard of in any part of the world. With the oil income increasing leaps and bounds, in all the six states of the GCC region economic activiy started at a feverish pitch. Both income and consumption -government as well as private - grew at a very fast rate. Capital intensive oil based industrialization started in practically all the states of the region. However, since the entire pace of economic activity was made possible by mainly the inflow of oil income, the moment oil prices began to decline in 1982-83 and more repidly since 1986, the economic activity in general also slowed down considerably throughout the region. The GDP recorded a negative growth rate ranging between -1.3 percent in Kuwait to nearly -7 percent per year in the case of Saudi Arabia between 1981-1989.

However, what needs to be emphesised in the above context is the fact that inspite of very serious efforts over the period of three decades, the basic structure of the economies of the GCC region has not changed to any noticeable extent. The main objective of deversifying, the sources of income is yet to be fully achieved. There is still a very heavy overall dependence on the income from the oil sector and expatriate labour force. Oil revenues, for instance, still constitutes a very high proportion of GDP, government revenues and the total export earnings.

The net effect of this type of economic structure and the growth pattern has been very profound and direct on the imports profile of various states of the GCC region. Firstly, the dependence of various countries on imports of goods and services for meeting the requirements of both consumption and investment goods remains very heavy through out the region, and secondly, the level of aggregate imports at various point of time has been closely related to the level of oil income via pace of economic activity. The extent of this dependence, ofcourse , varries from country to country depending upon the level of its monetary reseves and external commitments.

The importance of merchantile imports for the economies of the region can be judged from the high ration of imports to the gross domestic product and the value of exports. In the year 1989 for example imports constituted nearly 20 to 85 per cent of the GDP and from 62 to 89 per cent of the value of oil exports respectively in different countries of the region. In Bahrain it was even higher.

If one observes the pattern of aggregate imports in the region during the last two decades, it is found, that among other factors, they were largely influenced by the levels of oil income . As the oil income increased during the 1970s there was a sudden surge in total demand leading to a correspondingly sharp increase in the aggregate imports throughout the region. The domestic production base remaining by and large the same (except for the downstream oil industries), when the oil income began to decline in 1980s the imports also began to follow a downward trend. Between 1983 and 1986 on an average imports declined at the rate of 21 percent per year in Saudi Arabia 15 per cent in Oman, & 1 percent in UAE anc 9 per cent in Bahrain and Qatar.

However, an important phenomenon observed was that during the first phase of the fall in oil prices between 1983-86 the aggregate imports also fell in response to the decline in oil revenues but the rate of fall in imports was slower than the fall in oil revnues. In the second phase, between, 1986-89 the position was just the reverse . It was essentially so because it takes time for the economies to adjust to the new realities. The Gulf gevernments claim that it was a result of the conscious effort on their part to rationalize their expenditure in response to the changed circumstances.

As far as the sources of imports are concerned, there has been no major change in the general pattern in the last two decades. Barring Bahrain, there has been an overwhelming preference for imports from the industralized countries of the West and Japan. Although between 1981 and 1989 there was a marginal decline in the share of imports from the West due to the postponement of large scale capital intensive projects, this group of countries remians the major supplier of goods to the GCC region. The main reasions for this preference lie in factors such as continued commercial contacts between the West and the GCC region countries right from the days of oil concessions, a taste for good quality producs and aggressive sales techniques adopted by the Western multinalionals.

The commodity composition of imports in any developing country is determined by its resource endowment, stage of economic development, population and the level of income. In the composition of GCC imports also these four factors are clearly reflected (1) Since all the six states of the GCC region have very low agricultural base and potential and they have to meet nearly all their food requirmnts through supplies from outside the region, imports under SITC section 0 and 1 are not only significant but their share is also constantly on an increase in order to cater to the high natural increase in population (2) They do not have any mineral resources other than oil and gas and the non-oil based industrialization is yet to pickup, the share of Section 2,3,4 in total imports is very small except for Bahrain which imports crude oil from the neighbouring countries to run its refinaries, (3) the Gulf economies are in the early stages of their economic development needing either the creation or updating of infrastructure facilities, and the industrialization is largely capital intensive oil based in nature (refinaries, petrochemical and fertilizer etc.), the share of Section 7 is highest and finally, (4) since the percapita incomes are very high leading to an ever increasing rate of total consumption , the imports of various types of manufactures under Section 6 and 8 occupy the second highest place in aggregate imports in all the countries except Bahrain.

As far as the change in the relative importance of the major catagories of imports during the 1980s is concerned, the slowing down of economic activity due to fall in the oil income in general and the postponing and delaying of major development porject in particular have resulted in an overall fall in the imports of mechinary, transport equipment and other manufactures (Section 6,7,8) in both relative and value terms throughout the region. On the contrary for reasions already discussed earlier, the imports of food and beverages (Section 0 and 1) have considerably increased since 1981 inspite of a fall in the value of aggregate imports through the 1980s.

The last but an important aspect examined in this study is the trend of GCC imports form India. In this regard the first thing that needs to be emphasised is that imports form India do not constitute a significant part of the total imports in any of the GCC region states. In fact share of these imports at the reginal as well as individual country level show a declining trend between 1971 and 1985. In the first half of our reference period also it has marginally declined in the case of four countries, Kuwait, Oman, Qatar and Saudi Arabia; remained at the same level in the UAE and improved only in Bahrian. Several reasions have been advanced for the low share of Indian goods in the imports of GCC state. Apart form a built-in preference of the importing states for good quality products form the West irrespective of price consideration, at India's end the inhibiling factors in the last decade were, (a) the state policy of import substitution rather than export promotion (b) lack of quality controle (c) irregular delivery schedules and most importantly, (d) the absence of aggressive sales techniques.

As regards the value of GCC imports from India, in rupee terms there has been an increase during the 1980s but a more important aspect to emphasise in this context is that there has not been any significant change in the commodidity composition of these imports. On the contrary, during the reference period of this study, there has been a tendency towards a greater concentration of traditional items in the basket of GCC imports form India. The share of imports of engineering goods such as mechinary, transport equipment and other manufactures, which had increased during the 1970s have declined in relative terms since 1980-81. This shift could be attributed partly to the overall decline of engineering imports in almost all the states of the GCC region.

In the new economic environment of India, however, one can ligitimately expect that there will be an improvement on all these counts as far as Indian supplies to the GCC markets are concerned and the share of GCC imports from India will improve considerably. It is also expected that the share of engineerings goods which has lately declined will also improve in the day to come because of an overall upgrading of Indian Indistry.

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